ECONOMIC CONDITIONS IN SPECIALTY STEEL INDUSTRY

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

IMPACT OF INCREASED IMPORTS ON INDUSTRY AND EMPLOYMENT AND WHAT KIND OF ACTION, BOTH PUBLIC AND PRIVATE, CAN BEST MEET THE CHALLENGE OF SUBSIDIZED IMPORTS

BRACKENRIDGE, PENNSYLVANIA

JANUARY 5, 1982

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ECONOMIC CONDITIONS IN SPECIALTY STEEL INDUSTRY

JANUARY 5, 1982

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Brackenridge, Pa.

The committee met at 5:02 p.m., at the Brackenridge Borough Building, 1000 Brackenridge Avenue, Senator John Heinz, presiding.

OPENING STATEMENT OF SENATOR HEINZ

Senator HEINZ. Ladies and gentlemen, today the Senate Banking Committee will hold a hearing to review the current situation of one of America's critical industries—the specialty steel industry. In particular, this committee wants to learn firsthand what impact increased imports are having on the industry and on jobs, and to determine what kind of action, both public and private, can best meet the challenge of subsidized imports.

These questions are extremely critical because of the unique importance of this industry. Its products form the most basic elements of our national defense and our industrial society, and I don't have to tell anyone in this room how important this industry is to western Pennsylvania.

Not only are 22 of 44 specialty steel melting or rolling facilities or combined facilities located in Pennsylvania, but close to two-thirds of the production of the specialty steel industry is located in western Pennsylvania.

Specialty steel is also important for another reason, and that is, it has a history of success in combating imports. In 1976, when Gerald Ford was President, the industry won a landmark section 201 import relief case, which ultimately gave it a 3-year period of quotas to adjust to new competition, and it did so. New investment was undertaken; new technology was installed. And today's specialty steel industry can compete with anybody as long as the rules are the same for all.

It is the problem of fair rules that we're really going to be discussing today because the imports that the industry is suffering from are decidedly not fair. Imports have risen steadily and sharply since the fourth quarter of 1980, and the most recent figures, the third quarter of 1981, reflect a nearly 90-percent increase over the fourth quarter of last year.

Increases have been particularly noticeable in the categories of sheet and strip, where imports have nearly tripled and in alloy tool

steel and stainless steel rod, where imports now represent 39.5 and 47 percent of U.S. consumption respectively.

Unemployment in the industry is 21 percent and rising. It is even higher at Allegheny Ludlum Steel right behind us, where there are 1,200 people, as I understand it, now on furlough.

There is one main reason for these increases—our competitors benefit from Government subsidies and, in many cases, outright Government ownership, which permit them to sell in this country at less than what it would cost them to produce steel under normal market conditions.

The 301 petition, which was filed by the industry, by both the steel companies and by the steelworkers, which they came to Washington to meet with us and tell us about last month, makes it very clear.

The British steel industry, for example, is 79 percent government-owned; Brazil, 68 percent; Italy, 57 percent; Sweden, 59 percent government-owned. In Belgium, the Government has already invested or agreed to invest over $1 billion in subsidies in its steel industry, which includes a substantial specialty component. In Great Britain, government aids to British steel in the form of subsidies have alone been over $2½ billion.

In addition, over $300 million was spent by the Government just to modernize and expand Britain's stainless steel capacity—just their stainless capacity.

The petition the industry has filed under section 301 of the Trade Act of 1974, in effect, asked the administration to begin negotiations with the offending subsidizing governments in an effort to find a mutually agreeable solution to this problem.

I would observe that the President's ultimate authority to retaliate against those countries, absent any satisfactory agreement, is very broad—broader than any of our other trade laws—and Congress strengthened this law and its procedures in 1979 to make them even tougher, and we should be prepared to use this law to the fullest.

The first step is to try to get to the root of the problem by bringing an end to the foreign subsidies through negotiations so that everyone competes according to the same rules. In that kind of game, where we're all competing by the same rules, I have absolutely no doubt that our specialty steel industry will win. That is why it is so important that the Government accept the industry's petition.

The surge mechanism, which was put into place in January a year ago, simply has not worked. The Government has found surges, but it has done absolutely nothing about them, and it is time we went to the source of the problem.

It is also time that we recognize the weakness of our existing laws against unfair imports or sudden surges.

When Congress convenes later this month, I will introduce legislation to significantly toughen our laws to help import-impacted industries, like autos and steel, to preserve themselves and the tens of thousands of jobs they represent.

For example, with respect to the kind of import relief that the specialty steel industry received from 1976 through 1980, my bill, frankly, will make it much more difficult for the President to reject the recommendations of the International Trade Commis-

sion, and it will lower the level of injury required to that used in unfair trade practice cases.

Had my bill been law when the industry brought its case to extend its relief, it would have obtained 2 or 3 more years of import relief that would be carrying us through right now, and I hope that some of our witnesses today will comment on this proposal.

At today's hearing, we have a very distinguished group of witnesses who are going to comment on the section 301 case and other issues.

The witnesses include Mr. Blum from the U.S. Trade Representative's Office, the Deputy Assistant Trade Representative for Industrial and Energy Trade Policy.

I'm happy to see that it includes Jim Coyne, district 19, director, who I have known for just as many years as I've been in politics.

It also includes Dick Simmons, who I can say the same thing about, as well as Hugo Becker, who is subject to that rubric as well.

And last, but by no means least, the witness list includes my dear friend, Chuck Hanna, the just-retired mayor of Brackenridge, who is so respected and beloved in this area.

And, gentlemen, we are delighted to have you here, and I'd like to ask Mr. Blum to be our first witness.

Before you start, Mr. Blum, I want to enter into the hearing record a letter from myself, Senator Glenn, Senator Randolph, Senator Hatch, and 22 other Senators to Special Trade Representative Bill Brock.

That letter, dated December 10, was written by me and my colleagues, and sent to Ambassador Brock subsequent to our December 2 Steel Caucus meeting with the Stainless Steel Industry Committee and the United Steelworkers.

And, second, I'd like to put into our hearing record two factsheets on the specialty steel industry, one documenting the level of import penetration and another documenting the critical importance of the industry to our national defense.

And, finally—I believe all these are available—I want to put into the record a very interesting map, which shows the location of specialty steel facilities, melting and rolling facilities, and your eyes do not deceive you. Most of them are in western Pennsylvania by far. That map is available and will be a part of the permanent record.

[The material referred to follows:]

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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, D.C. 20510

December 10, 1981

Honorable William E. Brock
United States Trade Representative
1800 G Street, NW
Washington, DC 20506

Dear Mr. Ambassador:

As members of the Senate Steel Caucus, we are writing to you to urge your formal acceptance of the "Section 301" petition filed by the Tool and Stainless Steel Industry Committee and the United Steelworkers of America on December 2, 1981.

The Steel Caucus had the opportunity to meet with leaders of the specialty steel industry and the United Steelworkers of America to discuss the problem of subsidized imports from the countries targeted in the Section 301 petition. As you know, various government reports have documented that the American specialty steel industry is the most efficient and technologically advanced in the world. Yet, because of foreign government subsidization, import penetration is increasing dramatically. For example, in the third quarter of 1981, import penetration of alloy tool steel was almost 40 percent, stainless steel bar 26.6 percent, stainless steel rod 47 percent, stainless steel sheet and strip 11.2 percent, and stainless steel plate 7.5 percent. Unemployment stands at over 21 percent, and is increasing weekly. The increase in imports is particularly damaging in the light of domestic economic conditions.

In our view, the Section 301 case raises the fundamental issue of competition against subsidized foreign producers in a very appropriate forum. The issues must be discussed within the General Agreement for Tariffs and Trade, where government to government consultations can focus on ways of discouraging the continuation of foreign subsidies.

We respectfully request that prompt action be taken to deal with this urgent situation. We urge, therefore, that you formally accept the petition within the 45 day period provided by the law, and that you vigorously pursue efforts to end or substantially curtail government subsidies to foreign specialty steel producers.

Sincerely,

John Glenn

John Heinz

Jennings Randolph

Orrin G. Hatch

Robert C. Byrd

Daniel Patrick Moynihan

Harrison A. Williams, Jr.

Paul Sarbanes

Wendell H. Ford

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IMPORTS -- A CRITICAL CHALLENGE TO THE SPECIALTY STEEL INDUSTRY

Imports of foreign specialty steel, often government subsidized or dumped, present a critical challenge to the future of the domestic industry.

Specialty steel imports are not monitored under the Trigger Price Mechanism (TPM) with the exception of stainless steel wire products. Specialty steel is covered by a "surge mechanism" which is administered by the Department of Commerce. This program is designed to alert the U.S. government of "surges" in specialty steel imports. Such surges may indicate unfair trade practices such as dumping or government subsidies. If the Commerce Department determines that subsidization or dumping is occurring, legal action can be taken against foreign producers.

However, despite the good-faith efforts of the Department of Commerce, the specialty steel industry feels that the surge mechanism has not proved effective to deal with the import problem. Imports are making dramatic gains in the domestic market.

Statistics for the third quarter of 1981 show that import penetration is at the following extremely high levels for the key specialty steel product areas shown below:

PRODUCT	IMPORT PENETRATION
Alloy tool and high-speed steels	39.5%
Stainless steel:	
Rod	47.0%
Bar	26.6%
Plate	7.5%
Sheet and strip	11.2%
Pipe and Tubing	50.1%

It is also significant that October imports have increased over the third quarter 1981 figures in every specialty steel product category.

Unemployment in the industry is at over 21% and is increasing weekly. Bethlehem Steel, formerly a substantial producer of tool steels, announced their complete withdrawal from that market and has described imports as the major factor in their decision.

On December 2, the specialty steel industry and the United Steelworkers of America filed a "section 301 case" with the Office of the United States Trade Representative (USTR). That case described the vast subsidies being provided to foreign specialty steel producers by their governments. Such subsidies are illegal under international agreements such as the Subsidies Code of the General Agreement on Tariffs and Trade, and under American law.

The domestic specialty steel industry has also indicated an intention to file additional countervailing duty and antidumping cases in the near future.

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SPECIALTY STEEL -- AN INDUSTRY ESSENTIAL TO THE NATIONAL DEFENSE

The Armed Services Committee of the United States Senate has determined that the specialty steel industry is essential to the national defense. In a report issued in 1972, following hearings which included Department of Defense witnesses, the Armed Services Committee determined that the products produced by the specialty steel industry are absolutely necessary to support our military capabilities.

Many domestic industries producing essential goods and services for the national defense are dependent upon specialty steels. The following are some examples:

The electrical power system

The aircraft industry

The semiconductor industry

Food processing

Transportation systems

Marine equipment

Petroleum processing

Chemical processing

Tool and high-speed steels are "the tools which make everything else" in our industrialized society.

It is essential to the mobilization base of this country that a healthy, competitive specialty steel industry continue to be able to provide the high-technology materials and space-age technology we need. We cannot permit this capability to be deteriorated as a result of subsidized and dumped imports from foreign producers.

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Specialty steel USA

Allegheny Ludlum Steel Div
Allegheny Ludlum Industries
Pittsburgh, Pa ★
1 Brackenridge (Pa) Works
2 West Leechburg (Pa) Works

AL Tech Specialty Steel Corp
3 Dunkirk (NY) plant
4 Watervliet (NY) plant

Armco Steel
Middletown, Ohio ★
5 Advanced Materials Div
Baltimore, Md
6 Butler (Pa) Works

Babcock & Wilcox
Tubular Products Div
7 Beaver Falls (Pa) plant ★
8 Koppel (Pa) plant
9 Ambridge (Pa) plant
10 Alliance (Ohio) plant
11 Milwaukee (Wis) plant
12 Elkhart (Ind) plant

Bethlehem Steel
13 Bethlehem, Pa ★

Brooksburn Alloy Steel Div
Continental Copper & Steel Industries Inc.
14 Lower Burrell, Pa ★

Carpenter Technology Corp
15 Reading (Pa) plant ★ } Steel Div
16 Bridgeport (Conn) plant }
17 Union (NJ) plant } Tube Div
18 Jamesburg (NJ) plant }
19 Longview (Tex) plant }

Columbia Tool Steel Co
20 Chicago Heights, Ill ★

Crucible Inc Div
CoR Industries
Pittsburgh, Pa ★
21 Crucible Stainless Steel Div
Midland (Pa) plant
22 Crucible Specialty Metals Div
Syracuse (NY) plant

Eastern Stainless Steel Div
Eastmet Corp
23 Baltimore (Md) plant ★

Jessop Steel
Subsidiary of Athlone
24 Washington (Pa) plant ★

Jones & Laughlin Steel
Pittsburgh, Pa ★
Stainless & Strip Div
25 Warren (Mich) plant
26 Louisville (Ohio) plant

Joslyn Stainless Steels Div
Joslyn Manufacturing & Supply Co
Chicago, Ill ★
27 Fort Wayne (Ind) plant

Latrobe Steel
Subsidiary of Timken Co
28 Latrobe (Pa) plant ★

McLouth Steel
Stainless Steel Div
29 Trenton (Mich) plant
30 Detroit (Mich) plant ★

Republic Steel
Cleveland, Ohio ★
Central Alloy District
31 Canton (Ohio) plant
32 Massillon (Ohio) plant

Teledyne-Vasco
33 Latrobe (Pa) plant ★

United States Steel
Pittsburgh, Pa ★
34 Duquesne Works (Pittsburgh)
35 South Works (Chicago, Ill)
36 Homestead Works (Pittsburgh)
37 Vandergrift Plant (Vandergrift, Pa)

Universal Cyclops Specialty Steel Div
Cyclops Corp
Pittsburgh, Pa ★
38 Bridgeville (Pa) plant
39 Titusville (Pa) plant
40 Coshocton (Ohio) plant
41 Pittsburgh (Pa) plant
42 Aliquippa (Pa) plant

Washington Steel
43 Washington, Pa
44 Fitch Works (Houston, Pa)

★ headquarters
○ melting facilities
□ finishing facilities
◇ melting/finishing facilities

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Mr. Blum, would you please proceed.

STATEMENT OF CHARLES H. BLUM, DIRECTOR OF STEEL TRADE POLICY IN THE OFFICE OF THE U.S. TRADE REPRESENTATIVE AND ACTING DEPUTY ASSISTANT U.S. TRADE REPRESENTATIVE FOR INDUSTRIAL TRADE POLICY

Mr. BLUM. Senator, I am Charles Blum. I'm also extremely hoarse, and I hope I will be able to make it through my statement.

I am Director of Steel Trade Policy and the Acting Deputy Assistant U.S. Trade Representative for Industrial Trade Policy. I am pleased to have this opportunity to comment briefly on the elements of our steel trade policy, and I'm particularly pleased to be back in Brackenridge, where I have had the opportunity to tour the facilities of Allegheny Ludlum.

I have seen the way an investment dollar can be stretched. I have also had a chance to spend some time with the management and the workers at Allegheny Ludlum during one of their semiannual, rather unique get-togethers, so I know a little bit about the specialty steel industry and a little bit more, perhaps, about Allegheny Ludlum, in particular.

There are several important differences between the specialty and the carbon steel sectors, but our policy in each sector can be described under the same four rubrics or, if you will permit me, pillars of policy.

UNFAIR COMPETITION FROM ABROAD

First, this administration is committed to free trade. I do not wish to be misunderstood. This is a hardheaded, realistic policy based on the conviction that the welfare of this country, its producers, and its workers is best served by unshackling market forces so the true competitors will prosper, and the efficient use of resources will be promoted. A free trade policy, properly understood, does not mean that efficient, competitive industries must be defenseless against unfair competition from abroad. On the contrary, what separates this kind of policy from the naive belief in free trade are two important caveats:

First, that U.S. trade laws be vigorously enforced to insure that unfair, that is, dumped or subsidized, import competition does not injure domestic industries and their employees.

Second, that with equal vigor we pursue our rights under international agreements to insure reciprocal access to the markets of our trading partners.

As a result of the conclusion of the multilateral trade negotiations and the passage of the Trade Agreements Act of 1979, competitive American industries are now better able to insure that imports do not unfairly injure them. There now exists a menu of statutory alternatives under which relief from import competition may be sought; each is somewhat different in its requirements and in the form of relief that is available under them. The specialty steel industry is no stranger to many of these procedures. It has used them often and effectively in the past. In the early 1970's the industry filed and won two antidumping complaints against France and Sweden. It also succeeded, as you have noted, in 1976 in win-

ning an escape clause judgment under section 201 of the Trade Act. The result was 44 months of quantitative restrictions on imports that permitted many specialty steel producers to carry out a major program of modernization. When that relief expired in 1980, the industry was generally more competitive and imports generally lower than before.

A year ago, as you have also alluded to, a specialty steel surge mechanism was created to monitor the trade for any diversion of imports from carbon to specialty products resulting from the trigger price mechanism, which applies only to carbon and certain specialty products. Where surges are identified and appear to be caused by unfair import practices resulting in injury to the domestic industry, formal antidumping or countervailing duty investigations may be initiated. At present, surge conditions are currently in effect for four out of the six specialty steel product categories, and imports from eight countries are currently being studied. Five previous surge examinations have been concluded without resulting in formal unfair trade investigations, but in each case the surge has abated.

Let me point out also that the notion of a surge mechanism of monitoring by the Government leading to the self-initation cases is a somewhat new and, in many ways, untested procedure. We have a similar arrangement under the trigger price mechanism, and in connection with that surge mechanism, the Government has recently initiated a number of cases. Those in which injury tests were required have been decided by the U.S. International Trade Commission to have a reasonable indication of injury, and we are proceeding with, in most instances, unprecedented numbers of self-initiated cases. I think this is a very clear indication and concrete indication of the kind of commitment that this administration has to the enforcement of the law.

Most recently on December 2, the Tool and Specialty Steel Industry and the United Steelworkers filed a complaint with the U.S. Trade Representative under the amended section 301 of the Trade Act, alleging that foreign government subsidization of specialty steel producers is, in the language of the statute, "unreasonable, unjustifiable, or discriminatory" and "burdens or restricts" U.S. commerce. We are at present evaluating that petition; a decision as to whether or not to initiate a proceeding is due by January 18. I am, therefore, not in a position to comment extensively on the specific issues raised in the complaint, some of which are novel and quite complex, but I would like to emphasize that we have been working very closely with the industry to develop an adequate, factual, and legal basis for deciding whether or not to pursue the complaint under the consultative and dispute settlement procedures available to us under the new subsidies code.

We understand that the industry is considering the filing of antidumping and countervail complaints and perhaps a new escape clause case as well.

ADJUSTMENT PROBLEMS IN DISGUISE

The second pillar of policy is very closely associated with the first. Trade problems are often adjustment problems in disguise.

We believe that there will be no peace in international steel trade until fundamental structural adjustments are made to redress the imbalance between global supply and demand by eliminating excess, inefficient production capacity abroad. At the same time, we must seek to insure that this adjustment process abroad is not short circuited by Government intervention, but that it takes place continuously as competitive conditions change.

Like the subsidy issue with which it is obviously linked, the adjustment issue is quite contentious, for it involves a challenge to foreign governments' policies which have been taken in response to real and often pressing political and social needs.

So what means do we have at our disposal to foster a more rapid and regular adjustment process? In the immediate sense, it seems clear. We must rely on the same instruments that I have cited earlier—the vigorous enforcement of U.S. trade laws and our rights under international agreements. In the longer term, however, we are seeking not merely to offset specific programs, one after another, but to change in a fundamental way the attitudes and policy responses of our trading partners. We have made a start in that direction in the OECD steel committee, in which policy-level representatives of 21 industrialized countries meet regularly to discuss a broad range of steel trade and adjustment issues. Led by Ambassador David Macdonald, the Deputy U.S. Trade Representative, we are attempting to use this committee, first, to project a very clear message about the objectives of our steel policy to our trading partners.

Second, to avert unnecessary misunderstandings through timely consultations on incipient policy developments and changes in market conditions.

Let me say there that, at our last meeting in the middle of November, we put our trading partners on notice that there was a serious problem developing in the U.S. market and that imports appeared to be rising in a way that directly affected the market, and they should all act accordingly.

And, third, we are proceeding to use the committee to change the way in which our trading partners conceive the nature of the steel problem itself.

Now, this last point I know sounds a little abstract, but it's perhaps the most critical to our success in the long run. When we first met in the OECD in 1977 to discuss steel problems, it was widely assumed, I think, that we were dealing with a cyclical problem, one that would disappear when demand picked up. Thus, the issue was often conceived in terms of temporary policies to permit a return to some sort of normal trading situation, and more often than not, the major focus of controversy was on a few provisions of the U.S. trade law.

Today, it is fair to say that we have succeeded to a great degree in forcing our trading partners to deal with adjustment as the central issue. In and of itself, this solves nothing, of course. However, it seems to us that a clear understanding of the nature of the problem is a necessary first step toward its ultimate resolution. In that regard, we made some real progress, the fruits of which we hope will be seen as foreign government policies change in accordance with an altered perception of the real problem.

In the interests of adhering to the schedule of today's hearing, I will be briefer in describing the other two pillars of our steel policy. However, let me stress that, like the pillars of a stable edifice, they are of equal importance with the first two. We are committed to reducing the barriers, both at home and abroad, to increase U.S. exports. We have long been a net importer of steel. Nevertheless, steel exports in recent years have been significant.

In 1980, steel exports amounted to $2½ billion, approximately 9 percent of which was stainless and a much higher percentage of alloy steels. Moreover, our steel export potential, direct and indirect, is greater yet, and we are hopeful that it will be realized once our agenda for removing export disincentives is accomplished and as we find ways to insure reciprocity in our access to foreign markets.

The fourth pillar is a new climate for business in America. Clearly, our steel problem is not entirely a trade problem. On the contrary, a substantial portion of the industry's difficulties reflect the business climate that had developed over the past 10 to 15 years.

The President's economic recovery program seeks to correct basic structural problems in our economy through fundamental changes in our tax and regulatory policies. We hope that the result will be more and more secure jobs as the economy moves along a new, noninflationary path of real growth. As this program takes effect and as demand in the automotive and construction sectors recovers, the specialty steel industry should be in a position to reap major gains.

In closing, let me stress as a matter of my personal conviction and as an underpinning of our policy, that we are blessed as few nations with many advantages of steelmaking. Unlike some of our major competitors, we have most—certainly not all—of the necessary raw materials. We have the world's largest, most sophisticated market for steel. We have efficient capital markets and productive workers. There is, therefore, no reason why we should not excel at steelmaking and particularly at the production of more sophisticated steel products.

The surest sign of our competitiveness is the profitability of the industry, and, particularly of the specialty steel industry, even in the years like the last two in which demand has been very disappointing. Now, we cannot guarantee that the industry will remain competitive; in the final analysis, that can only be done by the managers and the workers in the industry itself. What our policy seeks to do, is to create a framework in which American producers have the opportunity to slug it out with their foreign competitors in the marketplace on fair terms so that efficient industries—and their workers—cannot only survive but prosper. Thank you.

Senator HEINZ. Mr. Blum, thank you. Before we proceed further, I do have a number of questions I'd like if your voice holds out.

Mr. BLUM. I'll try.

Senator HEINZ. You did very well.

You indicated that the 301 petition that the industry and steel compiled is somewhat unique, and I'd like to know if the Trade Representative's office has criteria that you will use in accepting or rejecting such a petition.

Mr. BLUM. I guess we do not have any existing criteria apart from the regulations which do exist and which are quite minimal. In fact, as we have gone through, not only this petition but several prior petitions filed in the recent months on agricultural products, this has been one of the problems that we've run into.

As with every new procedure, I think we're going to have to elaborate the criteria as we go along.

DISPUTE SETTLEMENT PROCEDURE

Senator HEINZ. Now, the section 301 process really is what I would call a dual-track system. It provides for a dispute settlement procedure, but if that process doesn't make progress after awhile, it also provides for the President to take some stronger actions. Indeed, it permits the President to take very strong retaliatory actions.

Would you care to describe the dispute settlement procedure that's involved with the 301 procedure under the 1979 act?

Mr. BLUM. You're not asking a real expert, unfortunately, in that regard. We have some real experts in the general counsel's office, but even their expertise is somewhat academic at this point. We have never really gone through this process.

Briefly, if we were to decide to accept this petition or any petition, we would then have an opportunity within a month to hold public hearings. At the same time, we would initiate a process of consultation with regard to the affected governments. If those consultations did not yield, say, a satisfactory solution, we could then take a complaint to the Subsidy Code Committee in Geneva. And before a panel of either three, sometimes five, other government representatives—usually government representatives—we would lay out our case. We would be alleging specific violations of the obligations that the signatory governments took on when they signed the Subsidies Code.

And the whole process from the date of issue would be 8 months.

VIOLATION OF THE SUBSIDIES CODE

Senator HEINZ. Now, the Tokyo Round contains a number of different codes, one of them is the Subsidies Code, which in two different areas proscribed subsidies. It says that subsidies should be eliminated for exports and that all countries should seek to eliminate domestic subsidies.

Do you think the injury has a strong case, based on those codes, that their trading competitors, who are subsidizing and shipping here, are indeed in violation of the code?

Mr. BLUM. Yes. I again think that it would not be proper for me at this juncture before my boss had a chance to make the judgment to evaluate the strength of the case, but let me just make a point.

Senator HEINZ. Does the code say—well, I'll ask you two questions.

Does the code proscribe both export and domestic subsidies?

Mr. BLUM. It makes a difference. It makes a distinction. For industrial products, it proscribes export subsidies. The petition as it exists today—the 301 complaint as it exists today—does not contain

any allegations of export subsidies. That may not be true by the end of the week.

As I say, we have been working with the industries to try and insure that the complaint is developed to its fullest. I think that there is at least one export subsidy we might cite.

As regards domestic subsidies, the requirements of the code are somewhat different because, in effect, the price of the agreement was the recognition that there are legitimate reasons to have subsidies, and even though we Americans don't always like to admit it, we might even have a few of our own, not quite so blatant, not quite as impressive as we find in many of our trading partners.

Still, I would say it would be very difficult to find any major country in the world that was absolutely pure. So it recognizes that you have these things for legitimate reasons, and I don't have the code language in my head. It's in my briefcase.

The obligation that was taken on by the signatories was to take into account the impact of domestic subsidies on other trading countries when they undertook them for these legitimate purposes. So that's really the core of the argument. We would have to try and show that they had failed to do that.

EUROPEAN SUBSIDIES

Senator HEINZ. Would you like to describe some of the European subsidies here?

Mr. BLUM. Yes. You've already alluded to several. They come in all shapes and sizes. Some of the ones you've mentioned are—it's hard for me knowing what I know to trace them specifically to specialty steel production, and if you've ever tried to sort out the equity in relationship among the European steel producers, it's virtually impossible. Everybody owns a little piece of everybody else, and it loops back through third companies. It's extremely difficult.

In brief, without necessarily putting them in order of importance, and, in fact, the quantification of the subsidy element is one of the most difficult parts of this process.

The clearest examples are—for example, you mentioned—again, I'm not limiting myself to specialty steel—but the clearest example is British steel, where for a series of years, virtually without interruption, the British Steel Corp. has lost, first, modest and in recent years, staggering amounts of money. Those losses were made up by the British treasury.

That's quite clearly a very different way of operating than any American company. We have, for example—again, I'm not limiting myself to specialty steel. It might be easier for me to talk about it in those terms. In the cases that we recently initiated under the carbon steel mechanism, we cited in the French case a whole series of loans given for investment purposes at very low interest rates. I mean, as low as one-half to 1 percent years ago. They have risen over the years as the interest rates in general have risen.

There are rebates of taxes. Certain rebates of taxes under international rules are permissible; others are not. Briefly, whenever it's a direct tax, an income tax, or a social security tax in nature, our rules and the international rules are very clear—that they are not to be permitted.

In other cases, if you pay a 10-percent tax, you might get a rebate of 12 percent. So the over rebate is a subsidy. As I say, they come in all shapes and sizes.

Senator HEINZ. Do you think the U.S. domestic specialty steel industry is being injured by imports?

Mr. BLUM. Yes. And that's a judgment which—well, they pay you six ICC Commissioners to make those judgments.

Senator HEINZ. Well, just in your personal, not your official position.

Mr. BLUM. You're asking me to make a distinction that I can't make, not right now, anyway.

Senator HEINZ. Just what a reasonable man can conclude.

Mr. BLUM. There is obviously a corollary.

Senator HEINZ. Is that a separation that——

Mr. BLUM. I can be reasonable after hours. There's obviously a corollary between the many indications of distress that are very clear to everybody in Washington and in the specialty steel industry and the rise in imports. The weighing of the injury and the cause linked is something I don't think I ought to do here. You have to be lying terribly to argue that there is no connection.

Senator HEINZ. That's a very subtle answer. I gather there's not a great deal of dispute that import penetration is 39.5 percent on alloy and high-speed steels and in stainless steel it ranges up to 47 percent on rod and 59 percent on pipe and tubing and 26.6 percent on bar for the third quarter of 1981?

There's no disagreement on those facts, I gather?

Mr. BLUM. I think we can assume that they have their origins in the Department of Commerce.

Senator HEINZ. Is there any disagreement that unemployment in the industry is over 21 percent?

Mr. BLUM. I have no reason to doubt that.

Senator HEINZ. Or that there are 1,200 workers laid off here at Allegheny Ludlum?

Mr. BLUM. I've been informed—as I say, we put our OECD trading partners on notice in November using many of the very same statistics just 2 months earlier.

Senator HEINZ. I understand your position. I think you understand what's going on but I don't want to put you in an embarrassing position with U.S. Trade Representative Brock or the President, but I think we all understand what's happening; would that be correct?

Mr. BLUM. That's right. And I'm very grateful to be here so that I could hear the story right here.

Senator HEINZ. And you think I have a story. Wait until you hear Jim Coyne, who represents most of the specialty steelworkers in the United States.

Let me ask you one last question. Let's assume that you do take the case and that you sit down with EEC. What possible actions might the EEC take to deal with the problem?

Mr. BLUM. Well. theoretically, you have posed a question in terms of what actions EEC might take.

Senator HEINZ. Well, they are the ones that have treated this problem as, "Don't worry. It's going to go away. This is a cyclical problem, and it will go away."

One of the first things that I remember from the time I became ranking member on the International Finance Committee 3 years ago, the committee that deals with trade and exports—and I'm chairman of that committee as of a year now—was a fellow named Davignon, the EC Commissioner for Industry, coming to me and explaining how in just 2 years—this is 3 years ago—in just 2 years if we would be patient, the European steel community would have phased out its excess steel capacities and its subsidies.

Well, about a year ago, he appeared and gave me exactly the same story, "Don't worry. Just another couple of years and we'll be out of it." That will make 5 years.

And I suppose there is that old biblical caveat, which goes, "How long, oh, Lord, how long?"

And if not how long, what?

Mr. BLUM. Well, steel—it's much easier to talk about the steel problem than it is to solve it. It's obvious.

The situation that we have in this country, although particularly in an area—well, I suppose the area of western Pennsylvania probably comes closest to approximating perhaps with that strip outside of Chicago.

It's a very typical situation in the European Community. It's very concentrated employment. They're laboring under a couple of disadvantages that we don't have. Particularly, they don't have an adjustment process. They don't ever get out of the steel business. So not only do they need a government policy, they need a community policy. They've got to get 10 governments together and agree essentially unanimously to go and do something on a community basis. That boils down to decisionmaking.

Senator HEINZ. It also serves as an excuse not to do anything.

Mr. BLUM. It can. That's why we place such a high value on our meetings with the OECD. Let me assure you that we don't mince any words at all. I think they've gotten quite tired of us because we have become very insistent.

What we find now—this is without revealing any secrets—there are at least three of the European Community member states that hold views very close to ours, and I think our insistent pressure on this point has helped strengthen their hand. There is an ongoing debate within the Community about how best to resolve the problem. They have an agreement; you've alluded to it.

BAILOUT TYPE OF ASSISTANCE

Finally, after several steel policies, they've come up with one that has the specific rules for phasing out subsidies. They have just passed the first milestone the 1st of January. Henceforth, there should be no more, what they call, emergency aid, simply bailout type of assistance.

Between now and September 30, each one of the member states is supposed to come up with a comprehensive, restructuring program that will identify all—well, all future aids allowed under the life of the program, which is 1985. And associated with those aids, the changes in production capacity that are, "modernization and an elimination capacity" that are going to be accomplished with those moneys.

We wish that this process could be accelerated. We've told the Europeans repeatedly that if they helped their own—in other words, if they served their own best interests, they could accelerate it. I don't want to prejudge their ability to do it.

At this point, I think we have to take them at their word. I think in realistic terms, the actions of the Community itself could take, as opposed to the actions of the U.S. Government, would probably be along these lines, where they could accelerate perhaps a bit and make ironclad the commitment to the ultimate elimination within some reasonable period, within 3 or 4 years, of all subsidies.

That's a message that Bill Brock took to Europe several weeks ago where he visited most of the major capitals and the Commission. He struck a response to it in few capitals; he got a very cool reception in some others. I think that illustrates very clearly the political problem that we face.

Senator HEINZ. Well, Mr. Blum, I understand that on or about January 18, you'll be making a decision on this 301 case. Let me encourage you to make the right decision.

Mr. BLUM. With that kind of advice, I'm sure we can't go wrong.

Senator HEINZ. Thank you very much.

I'd like Jim Coyne, director, district 19, of the United Steelworkers of America to come forward.

Jim, welcome. Nice to see you. Please proceed.

STATEMENT OF JAMES COYNE, DIRECTOR, DISTRICT 19, UNITED STEELWORKERS OF AMERICA

Mr. COYNE. I'm James M. Coyne, director, district 19, of the United Steelworkers of America. District 19 covers the entire Allegheny-Kiski Valley as well as 14½ counties in western Pennsylvania. Western Pennsylvania has 30,000 speciality steelworkers and, currently, as of last week, there are 26 to 27 percent of these individuals in layoff status. That means between 7,800 and 8,100 of these employees are out of work, some of whom have been laid off in excess of 2 years.

Because of the escalating layoffs in the latter part of 1981, the subfunds are in terrible shape, and we all know the new policy and restrictions on unemployment compensation, which makes it most difficult for people who have been laid off for an extended period of time to subsist.

SPECIALTY STEEL IMPORTS INCREASE FOURFOLD

Stainless strip and sheet imports increased fourfold between 1980 and 1981 from the European Common Market countries. All the other countries who export specialty steel into the United States escalated their imports from 30,000 tons in 1980 to 50,000 tons in 1981.

Spain, for example, who is not a member of the Common Market, went from 95 tons in 1980 to 2,456 tons in the first 9 months of 1981. I don't know how much damage they've done in the last 3 months.

The European Common Market countries have their systems of tariffs for regulation of imports. For example, the Japanese auto industry is limited by these countries to 3 percent of the sales, and

if they exceed 3 percent, they just quit unloading the ships. Therefore, the ships get diverted to the United States and we receive them.

In our country, the Japanese now export to this country 22 percent of the passenger cars and 5 percent of the station wagons, pickups, vans, and utility vehicles. However, not many people realize that this 27 percent represents 50 percent of the market in which the Japanese compete. Now, this has a strong adverse effect on the trim and noncorrosive metals that we provide the automobile industry, especially at West Leechburg and Crucible Midland plants.

So that even though the Japanese have relented somewhat on their shipments of specialty steel into this country in accordance with our ups and downs, they're sending it in as a finished product. So it has a stronger adverse effect on more industries—rubber, glass, auto, steel.

The tool steel—rod, bar—have been extremely hard hit in 1981. Almost 40 percent of the domestic market has been captured. Companies such as Braeburn, Latrobe Steel, and Teledyne Vasco are all companies in district 19 and have been adversely affected by this escalating of imports.

Mr. Chairman, when I used to complain to you as my Congressman and as my Senator, many times you told me that your party was not in control in Washington and in many instances your hands were tied. Now that is not the case, and I would like to see some positive action on our petitions and on our request for relief.

Thank you.

Senator HEINZ. I passed your message on directly to the administration with my total endorsement.

Mr. COYNE. You know, we can't wait, as was suggested, until September of 1982 for help. We need help yesterday, not tomorrow. The one thing that the specialty steel industry has done when we went through our recovery period in the midseventies, the money that was realized from our productivity and modernization of the plant was plowed back into the plants, and we've proven that we've cleaned up the air; we've cleaned up the water; we've modernized the plant. This modernization has an effect on the number of people who are members of our union, but we realize that you cannot stand still in today's world.

What I don't think the people in Washington realize is that almost 55 percent of the people working in basic industries today have less than 10 years' service. Now, these are skills that these people are acquiring, and once we interrupt that training by extended layoffs and they get placed in other jobs, we can't get them back. Our older people have retired. The loss of skill that is needed to produce high quality, high production in the specialty steel industry will be lost forever, and even though they tell us there's good news in the mideighties, we can't afford to wait. We'll all be skin and bones and won't be able to work by the mideighties when the boom occurs in the steel industry.

I'd answer any questions you might have.

Senator HEINZ. Jim, I have a couple of questions and one comment.

I think that you and I both complained when the petition of the specialty steel industry for a continuation of its relief under section 201 was denied by the previous administration. I forget who Jimmy Carter was or what party he was, but we didn't complain when Gerald Ford granted the request of the U.S. International Trade Commission, and I forget what party he is, but I think he was of the same party that I am.

Mr. COYNE. I just hope you can do as well with the current administration.

Senator HEINZ. I just wanted to set the record straight on that because it sounded like that you had been complaining for the last 10 years, and that's not the case.

Mr. COYNE. No, it's not the case.

Senator HEINZ. And sometimes we're lucky in what happens and sometimes we're not, but I can assure you this: We will work just as hard as we can to get a solution to this problem just as fast as we can.

EXTENDED UNEMPLOYMENT EFFECTS

Let me ask you this.

In your view, what will further happen to the industry and, more importantly, employment in it if relief is not forthcoming for another 6 months? What will be the effects?

Mr. COYNE. Well, just based on the pace at which it has changed since September of 1981, we will have less than 50 percent of our people working because just the figures you have in your report are probably October figures of 21 percent. Right now as of last week on a check that I did, it's 26 to 27 percent in western Pennsylvania. I didn't go out—you know, there's 65,000 specialty steelworkers in the United States and over 30,000 of them are here in western Pennsylvania.

So the terrible thing is when you lose a product to foreign competition, sometimes you never get the opportunity to sell that product either domestically or as an export in the future.

I can see 50 percent. If we keep going at the pace we're going, 5 percent a month, it will be long before September that we will be past 50 percent.

Senator HEINZ. Are there any additional things that you or on behalf of the United Steelworkers, the labor movement would advocate at this time?

Mr. COYNE. Well, Congress has provided the vehicles by which we can get help. All we're asking is that they—the administration endorses the wishes and endorses the law as passed by Congress, and if they do that, then we're all right.

Senator HEINZ. There is one other possibility that I don't think has been specifically discussed.

I'm going to ask Dick Simmons and Hugo Becker about it as well as you and that is this: The Commerce Department, as Mr. Blum pointed out, did something unique in late November or early December when it self-initiated seven cases against basic steel producers in European countries and South Africa, and that did send quite a shock wave through the people who were called on the carpet.

I'm wondering whether if in the event—and what I hope will be the unlikely event—that the 301 petition is not accepted by the U.S. Trade Representative, whether this is a course of action that might be urged on the administration because it is immediate and it is prompt, and if you're not prepared to comment on it—it's a hypothetical question and I don't——

Mr. COYNE. Well, it's happened but nothing's happened. That's our problem. Even though that action was taken, really there has been no relief.

The Edgar Thomson Works laid 1,000 people off Sunday evening.

Senator HEINZ. We will know in less than 2 weeks on the 301.

Mr. COYNE. Right. I realize there's a negotiating period between, but the petition was presented on December 2 or thereabouts.

Senator HEINZ. Right.

Mr. COYNE. And I always say Washington, D.C., is 12 square miles surrounded by reality, and if some of them would get out of there and come to western Pennsylvania, they'd discover what the real world's all about.

Senator HEINZ. Jim, thank you. I appreciate that. It's very good to have you here.

Mr. COYNE. Thank you.

Senator HEINZ. I would like to ask Dick Simmons and Hugo Becker to form, in effect, a panel, what is going to be a seriatim panel. That means that one will testify and the other will testify, and I'll ask you both questions if that's all right.

So, Dick, why don't you go first. Hugo, you can remain seated until he has completed his presentation. Then I'll ask you to testify, and then I'm going to alternate asking both of you questions.

STATEMENT OF RICHARD P. SIMMONS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ALLEGHENY LUDLUM STEEL CORP.

Mr. SIMMONS. Senator Heinz, we appreciate the opportunity to appear here today. As you know, my name is Richard Simmons, and I am president of Allegheny Ludlum Steel Corp. We are particularly pleased that you would hold these hearings in Brackenridge, Pa., the heart of specialty steel land, the heartland of Allegheny Ludlum Steel Corp.

I will not read my entire testimony, which we have submitted. I will attempt to summarize the major points.

Senator HEINZ. Well, without objection, your entire testimony will be placed in the record.

Mr. SIMMONS. Thank you.

Let me say at the outset that we do not appear to ask for Government assistance, Government grants, Government subsidies, or Government aid in any form other than to request that our Government endorse the trade laws, which Congress has previously passed, and I say this on behalf of our nearly 7,000 salaried and hourly employees who have demonstrated their ability to compete with any specialty steel companies in the world.

I also say this on behalf of 1,400 Allegheny Ludlum employees who are out of work at this very moment.

SPECIALTY STEELS ARE ESSENTIAL INGREDIENT

These highly specialized materials which we produce, consisting of alloys of stainless steel, tool steel, and electronic alloys is absolutely vital to our economy. It is not an overstatement to say that specialty steels are strategically essential, both militarily and economically, to our Nation. Frankly, we could not defend ourselves as a nation or maintain our position as a world power without a strong and technologically advanced specialty steel industry. From jet engines to tanks to missiles or to the tools that produce all of the weapons in our arsenals, specialty steels are an essential ingredient.

Our employees are located primarily in small communities in the Pittsburgh area with plants at Brackenridge, Natrona, Leechburg, as well as plants in New Castle, Ind.; Wallingford, Conn.; Coatesville, Pa.; and Claremore, Okla. We are the major, if not the only significant employer in most of the communities in which we are located. Particularly in this area our plants and employees provide the economic base for the community and the surrounding areas.

As an example, our payroll in the Allegheny-Kiski Valley will be close to $150 million in 1981. Other employee benefits will total approximately $75 million. In addition, we will purchase in raw materials, tools, supplies, and energy approximately $450 million of goods. Thus, our activities surely have a ripple effect in this area as well as nationwide.

Our plants are modern, and our plants are efficient. Equally important, we are committed and dedicated to further improving their efficiency. We continuously cast nearly all of our stainless steels, and we use the most modern techniques for refining stainless and other specialty steels. We invest annually approximately $10 million in research and process development. We are and have been in compliance with environmental regulations for over 2 years. In fact, there is a bathing beach directly across from our Brackenridge plant. We have an excellent work force, most of whom have long family traditions of employment in our company.

The Office of Technology Assessment has identified the specialty steel industry as efficient and competitive. In other words, we have all of the ingredients for success.

ENTIRE SPECIALTY STEEL INDUSTRY THREATENED

Yet I am here to tell you today that our company and the entire specialty steel industry is threatened. Even though we are competitive, efficient, technologically advanced, we are being systematically destroyed by foreign companies who do not have to meet our disciplines of profit or capital formation. This threat is not from companies who are more efficient than we, rather it is from companies owned or subsidized by their governments who sell in our markets at prices below cost, possible only because their governments make up their losses in the form of grants or grant subsidies.

As you know, this problem is not a new one for our industry, but in recent months it has assumed crisis proportions.

Our products, specialty steels, are not covered by the trigger price system that is in effect for carbon steel products. Thus, we

are more vulnerable to import penetration from subsidized imports than are carbon steels.

Specialty steel producers in the United States have a long history of fighting the problems of subsidized foreign competition. It has already been stated by Mr. Blum that we fought and won dumping cases in 1971 and 1972, and we have proved that companies were dumping in our markets.

In 1975, as you know, we filed our famous 201 complaint, and as you pointed out, President Ford implemented a 3-year restraint program.

During the 3 years when the restraint program was in effect, the specialty steel industry increased capital expenditures, increased research and development expenditures and, more importantly, raised its prices at a lower rate than other steels not covered by the restraint program. On an inflation-adjusted basis, prices for our high volume sheet products are substantially lower today than they were in 1974.

During the period of restraint, however, almost 700,000 tons of new foreign specialty steel capacity was installed throughout the world. The need for U.S. trade, the rapid increase in the price of oil, the strategic importance of specialty steel, the relatively high value added in specialty steels all contributed to foreign producers' desires to produce and, more importantly, to export specialty steels to the United States.

In February 1980, the restraint program was allowed to expire. Foreign producers are now, once again, exporting their unemployment to the United States. These producers, quasi-government employers, sell at whatever prices are necessary to maintain employment and output.

Those countries who have increased their exports to the United States are not profitable. British Steel, which is government owned, has lost over $3 billion—that's with a "B"—$3 billion in the last 4 years and yet was able to make the largest single stainless steel investment in the history of stainless steel anywhere in the world. Their stated object, publicly, is to export and to concentrate on specialty steels.

The major specialty steel companies in France are being nationalized, and the Government is restructuring the industry after years of losses and Government subsidies.

Sweden, Brazil, Austria, Mexico, Spain, Belgium—all of these countries have a long history of subsidizing their specialty steel industries. These subsidies permit companies to sell in our market at the expense of our employees' jobs, their families, and the communities in which we are located.

Equally important is the injury caused to our company and others like it who must rely on our own profits to generate the capital to continue to invest to remain modern and efficient.

Imports of specialty steels this year have increased from 29,000 tons in the first quarter to over 50,000 tons in the third quarter, and for this entire year of 1981, we estimate that imports will have exceeded 160,000 tons.

Using the most conservative assumptions, if U.S. producers had not lost this market, we would have had to build a plant employing conservatively 2,500 to 3,500 employees. We would have additional

sales of $480 million. We would have had a payroll of $80 to $100 million. We would have paid Federal income taxes of approximately $25 to $30 million. We would have paid $12 million in social security taxes. This does not include State and local income taxes or the taxes we would have also paid as a company and would have purchased goods, services, and raw materials of nearly $300 million.

It is difficult for me to understand those who say that imports sold below cost in our markets—which take American jobs, reduces American profits, reduces American investment, American taxes, and injures, and perhaps fatally injures, the strength and vitality of critically strategic industries and the communities in which they are located—are "good" or are in our "best interests." Clearly, I disagree.

Even more important, however, is the question that without the assurance that if we are efficient, if we are technologically advanced, if we are competitive, that we will be successful. Without that assurance, the question must be raised. Should we continue to invest? If we can be destroyed, not by the more efficient, but by the less efficient, should we continue to invest?

MAJOR TRADE CASE FILED

This broader question that I raise may well be whether our system can long endure attacks from countries and companies who do not have to meet our disciplines of profit and capital formation. It is for this reason that the specialty steel industry has once again filed a major trade case with our Government. Filed, as you know, against Brazil, Austria, Sweden, Belgium, Italy, France, and the United Kingdom under section 301, we believe we have irrefutable evidence to prove subsidized sales below cost for stainless steel sheet, strip, plate, bar, rod, and alloy tool steel. We further believe that we can establish without any doubt that such sales are injuring our companies, our employees, our communities, and, indeed, our Nation.

We intend to file additional cases in the coming weeks against other nations as long as their predatory practices continue.

The facts are clear. We are unwilling combatants in a trade war, initiated by other nations to serve their own political, social, and economic purposes. The losers in this war, if we do not fight back and win, will be not just the specialty steel industry. The losers will be all of us.

The critical question to be answered is whether this administration will enforce the trade laws which the Congress has passed, whether the administration will protect the "efficient" as they have said they would. More than the specialty steel industries should be concerned and interested in the answer to that question.

To this committee, we urge you to report to your colleagues in Congress the importance of this issue to all Americans. We further urge you to call upon the President to examine our petition quickly, expeditiously, and fairly. Equally important, we urge you to call upon the administration to speak out once and for all on the trade issue and say that efficient, competitive American companies will

not be driven out of business by the less efficient and less competitive throughout the world.

Allegheny Ludlum Steel Corp. is the largest producer of specialty steel in the United States. As you know, we have no other lines of business. We are prepared to compete. We can compete with any company in the world. As I have said at the outset, we wish no subsidies, no grants, no Government aid other than an economic climate which permits the efficient, the successful to grow and to prosper. We accept the risks of our system, but if we wish to enjoy the rewards of success, we are prepared to accept the risks of failure if we do not earn the success.

How this issue—the issue of subsidized trade—is resolved may well determine whether our Nation once again has a vital, healthy, growing economy.

The issue here is not protectionism versus free trade as some would try to make it. It is a much broader question with differing economic systems, a market economy based on comparative advantage as compared to one based on economic socialism or based on government subsidy. We are more efficient than they, but we cannot fight this battle alone.

On behalf of all of our employees, let me take this opportunity, Senator Heinz, to thank you for coming to our specialty steel company.

Thank you.

Senator HEINZ. Dick, thank you very much.

Why don't you take a seat at the table, and I will ask Hugo Becker to come forward.

[Complete statement of Mr. Simmons follows:]

RICHARD P. SIMMONS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ALLEGHENY LUDLUM STEEL CORP.

My name is Richard P. Simmons. I am President of Allegheny Ludlum Steel Corporation, one of the largest producers of Specialty Steels in the United States. With sales in excess of 700 million dollars Allegheny Ludlum produces alloys of stainless steel, tool steel, heat resistant alloys and electronic alloys. These highly specialized materials are absolutely vital to our economy. Indeed, no significant economic activity could occur in this economy or any other economy without the specialty steels we produce. It is not an overstatement to say that Specialty Steels are strategically essential, both militarily and economically, to our nation.

Our 6,000 employees are located primarily in small communities in the Pittsburgh area with plants at Brackenridge, Natrona, and Leechburg, Pennsylvania, as well as plants at New Castle, Indiana; Wallingford, Connecticut; Coatesville, Pennsylvania; and Claremore, Oklahoma. We are the major, it not the only significant employer, in most the communities in which we are located. Particularly in this area our plants and employees provide the economic base for the community and the surrounding areas. Thus, not only are our products essential to the nation but our plants are essential to the well-being of the small communities in which we are located. We sincerely thank you, Senator Heinz, for your holding these hearings in our own backyard. The subject we are discussing is of major importance to the economic future of Brackenridge and surrounding communities.

As an example, our payroll in the Allegheny-Kiski Valley, located approximately 20 miles from here, will be close to 150 million dollars in 1981. Other employee benefits such as pensions, and medical insurance will total approximately 75 million dollars. Clearly, we are important to the communities in which our plants are located. In addition, this year we will purchase approximately 450 million dollars of raw materials, other supplies and energy. A significant portion of these purchases are from companies in the Pittsburgh area. Our activities surely have a ripple effect in this area as well as nationwide.

WE ARE MODERN AND EFFICIENT

Our plants are modern and efficient and we are committed and dedicated to further improving their efficiency. We have recently completed a 100 million dollar program to improve, significantly, our ability to produce efficiently these highly specialized steels. We continuously cast almost all of our stainless steels. We use the most modern techniques for refining stainless and other specialty steels; we invest annually approximately 10 million dollars in research and process development; we are and have been in compliance with environmental regulations for two years; we have an excellent work force, most of whom have long family traditions of employment in our company.

The Office of Technology Assessment has identified the Specialty Steel Industry of the United States as efficient and competitive. We sell and have sold technology all over the world. Virtually every significant process and alloy used throughout the world in the manufacture of specialty steels is an American development.

In other words, we have all the ingredients for success. And, in fact, we have been successful. Our company has never lost money although the rate of profit in recent years has been less than satisfactory.

THE THREAT OF IMPORTS

Yet I am here to tell you today that our company and the entire Specialty Steel Industry is threatened. Even though we are competitive, efficient, technologically advanced, we are being systematically destroyed by foreign companies who do not have to meet our disciplines of profit or capital formation. This threat is not from companies who are more efficient than we. Rather it is from companies owned or subsidized by their governments who sell in our markets at prices below cost, possible only because their governments make up their losses in the form of grants and subsidies.

This problem is not a new one for our industry but in recent months it has reached crisis proportions.

Foreign producers of specialty steel over the past 20 years have consistently expanded their capacity to produce these products at a rate far in excess of their home market needs. Much of the excess has been exported to the United States. Producing the less complicated and higher volume grades of Specialty Steel, our foreign competitors have concentrated on what we describe as the commodity products. Products such as stainless steel sheet, plate, bar and rod as well as tool steel and in grades which can be produced in quantity and in standard forms which are then sold through service centers in the United States. In fact, many foreign producers recently have purchased service centers in the United States to improve their ability to capture our markets.

Our products are not covered by the Trigger Price System in effect for tonnage steels and thus are far more vulnerable to import penetration than are carbon steels. A surge mechanism is in place which was intended to prevent foreign producers of specialty steels from capturing our markets but to this point, this system, which at best is an informal system, has not been successful. Although the intentions of the Commerce Department are good, their ability to "Jawbone" foreign producers to reduce their exports to the United States has not been successful.

Imports of specialty steels are at dramatically high levels, and growing weekly. For example, imports of the major specialty steel products lines in the third quarter of 1981 were as follows: alloy tool steel—39.5 percent, stainless steel rod—47 percent, stainless steel bar—26.6 percent, stainless steel sheet and strip—11.2 percent, stainless steel plate—7.5 percent, and stainless steel pipe and tubing—59.1 percent. Significantly, for every product category, imports in the month of October were even higher than the third quarter. November and December will be worse yet.

In the meantime, over 21 percent of the work force of the specialty steel industry is on lay-off. In fact, this survey was taken about a month ago and I am very certain that the unemployment level is substantially higher today.

HISTORY OF RELIEF

The Specialty Steel producers of the United States have a long history of fighting the problem of subsidized foreign competition. In 1971 and 1972, the Specialty Steel Industry filed and won two dumping cases against France and Sweden. We proved that companies from those nations were dumping stainless steel plate and rod in the United States. Although we won these cases, no duties were ever levied or collected as far as we can determine.

In 1975, the Specialty Steel Industry filed and won its now famous 201 Escape Clause case. In 1976, President Ford established quotas for most specialty steel imports from the EEC nations and Sweden and negotiated an Orderly Marketing Agreement with the Japanese. This restraint program permitted foreign producers to grow as our market grew, permitting increases in imports each year.

During this three year period, the industry increased its capital expenditures, its research and development expenditures and more importantly raised its prices at a lower rate than other steels not covered by the restraint program. The Government's own reports attest to the success of the restraint program. The restraint program gave U.S. producers some assurance that if they were efficient and competitive a market in the United States would be available.

And on that basis, the U.S. producers invested to further improve their efficiency and competitiveness. It is important to note that even our foreign competitors have not accused us of being obsolete, inefficient or technologically inferior. To the contrary, during the many days of hearings held by the U.S. International Trade Commission in 1975, 1976 and 1979, the efficiency of U.S. producers was never an issue. Foreign producers used the fact that U.S. producers were efficient and technologically advanced as an argument to attempt to prove that the U.S. producers did not need protection from below cost sales.

NEW FOREIGN CAPACITY INSTALLED

During the period of restraint, almost 700,000 tons of new foreign specialty steel capacity was installed throughout the world. The need for U.S. trade; the rapid increase in the price of oil; the strategic importance of specialty steel; the relatively high value added in specialty steels because of the elements contained such as chromium, nickel, and molybdenum resulting in prices five to ten times that of carbon steel, all contributed to the desire of foreign producers to produce and, more importantly, to export specialty steels to the United States.

It is ironic indeed that much of the Specialty Steel capacity outside the United States has been financed directly or indirectly by the United States. After the Second World War, as we helped rebuild Japan and Europe; and in the sixties and seventies with low interest loans; finally by providing our market as a means of achieving economies of scale in these foreign courtries. At this very moment we cannot borrow at interest rates as low as our foreign competition can borrow from our own Eximbank. I know that this is something that the Senate Banking Committee has been very concerned about, and we appreciate your efforts, Senator Heinz, to deal with this issue.

In February, 1980, the restraint program was allowed to expire and imports measured in absolute terms of tons and market penetration began to increase again. The increases accelerated this year as the world economy slowed. Foreign producers, once again, are exporting their unemployment to the United States. These producers, quasi-government employers, sell at whatever prices necessary to maintain output.

MOST FOREIGN PRODUCERS ARE UNPROFITABLE

Those countries who have increased their exports to the United States are not profitable. British Steel which is government owned has lost three billion dollars in the last four years and yet was able to make the largest single Stainless Steel investment in the history of stainless steel anywhere in the world. Their stated object is to export and to concentrate on Specialty Steels. The two major Specialty Steel companies in France are being nationalized and the industry is being restructured after years of losses and government subsidies. Sweden whose producers have lost money since 1976 has and does provide significant subsidies in the form of inventory subsidies and other subsidies to encourage companies not to reduce employment. Brazil, Austria, Mexico, Spain, Belgium—All of these countries have a long history of subsidizing their speicial steel industries. These subsidies permit companies to sell in our market at the expense of our employees' jobs, their families and the communities in which we are located. Equally important is the injury caused to our company and others like it who must rely on our own profits to generate the capital to continue to invest to remain modern and efficient.

Nor is the cost of labor a significant factor in their ability to capture our markets. For many of the import sensitive products we produce, we have reduced the labor content to as low as 9 man hours per ton. For products which sell at approximately $2,000 per ton, labor becomes a relatively small percentage of the total cost. Critical raw materials such as nickel and chromium which must be purchased by all producers are the single most important cost element. The strengthening dollar has raised

the cost of these raw materials to our foreign competitors since these materials are sold in dollar denominated terms.

IMPACT OF SUBSIDIZED COMPETITION

Imports of Specialty Steels this year have increased from 29,000 tons in the first quarter of 1981 to over 50,000 tons in the third quarter. For the year 1981, imports of Specialty Steels will exceed 160,000 tons.

Using the most conservative assumptions, if the U.S. producers had not lost this market to foreign subsidized producers, we would have to build a plant employing between 2,500 and 3,500 employees. We would have additional sales of 480 million dollars. We would have a payroll of 80 million to 100 million dollars per year. We would have paid Federal income taxes (company and employees) of approximately 25 million to 30 million dollars. We would have paid 12 million dollars in Social Security taxes. This does not include state and local income taxes or real estate taxes. We would have purchased goods, services and raw materials of over 300 million dollars from other companies, widening the ripple effect.

It is difficult for me to understand those who say that imports sold below cost in our markets—which take American jobs, reduce American profits, reduce American investment, reduce American taxes and injure, perhaps fatally, the strength and vitality of critically strategic industries and the communities in which we are located—are "good" or in our "best interest." Clearly, I disagree.

The Congress in 1981 has passed a landmark tax bill, a bill which reverses the trend of past decades and begins once again the process of reindustrialization. However, improvement in capital recovery through more rapid depreciation or any other technique which has the effect of reducing the corporate tax rate will be of little use if there are no profits to shelter. And it is important to point out that U.S. companies are still at a substantial disadvantage to other countries in the speed of capital recovery through depreciation. A steel mill built in Canada can be "written off" in two years and three months from the start of construction as compared to approximately 8 years under the new schedules starting with completion.

Nevertheless, the bill passed by Congress is an important first step in recognition of the problems of capital recovery and thus investment. Let me reemphasize my earlier point, however—without profits, such improvements will be of little use.

Even more important, however, is the question that without the assurance that if we are efficient; if we are technologically advanced; if we are competitive, we will be successful—should we invest? If we can be destroyed, not by the more efficient, but by the less efficient—should we invest? The broader question may well be whether our system can long endure attacks from countries and companies who do not have to meet our disciplines of profits and capital formation. It is for this reason that the companies which comprise the Specialty Steel Industry have once again filed a major trade case with our government. Filed December 2 against Brazil, Austria, Sweden, Belgium, Italy, France and the United Kingdom under Section 301 of the 1979 Trade Act, we believe that we have irrefutable evidence to prove subsidized sales below cost in our markets for stainless steel sheet, strip, plate, bar, rod and alloy tool steel. We further believe we can establish without any doubt that such sales are injuring our companies, our employees, our communities, and our nation.

We intend to file additional cases in the coming weeks and months against other nations as long as these predatory practices continue.

The facts are clear. We are unwilling combatants in a trade war, initially by other nations to serve their own political social and economic purposes. the losers in this war, if we do not fight back and win, will be not just the Specialty Steel Industry. The losers will be all of us.

A critical question to be answered is whether the Administration will enforce the trade laws which the Congress has passed. Whether the Administration will protect the "efficient" as they have said they would. More than the Specialty Steel Industry should be concerned and interested in the answer to that question.

We urge this Committee to report to your colleagues in Congress the importance of this issue to all Americans. We further urge you to call upon the President to examine our petition quickly, expeditiously and fairly. Equally important, we urge you to call upon the Administration to speak out once and for all on the trade issue and say that efficient, competitive American companies will not be driven out of business by the less efficien' and less competitive throughout the world. Let me add that we appreciate your letter to Ambassador Brock in support of our case, Senator Heinz.

Allegheny Ludlum Steel Corporation is the largest producer of Specialty Steel in the United States. We have no other lines of business. We are prepared to compete.

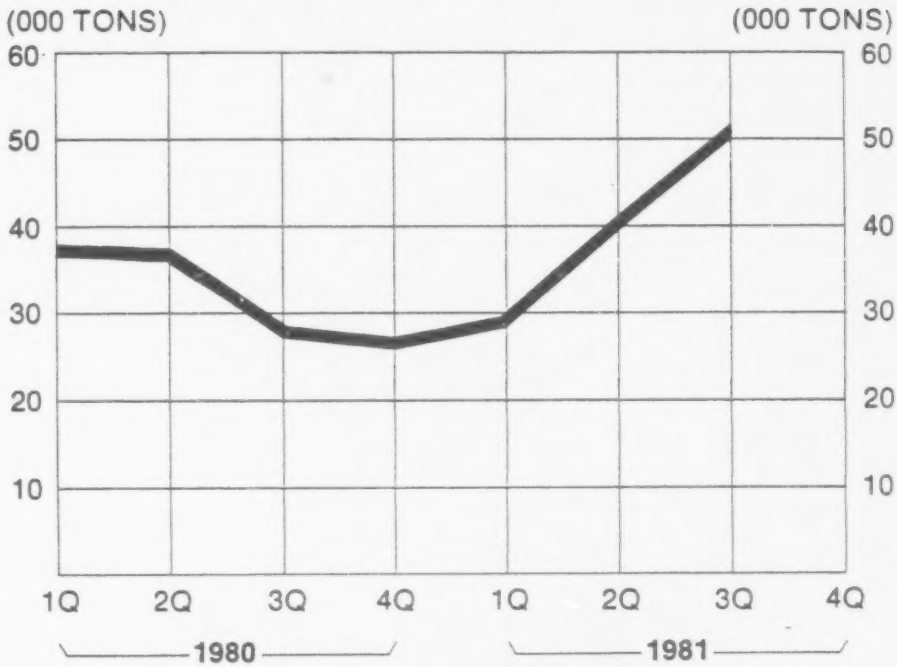
We have demonstrated we can compete with any companies in the world. We wish no subsidies, no grants, no government aid other than an economic climate which permits the efficient, the successful to grow and prosper. We accept the risks of our system. If we wish to enjoy the rewards of success, we are prepared to accept the risk of failure if we do not earn success.

How this issue—the issue of subsidization trade—is resolved may well determine whether our nation once again has a vital, healthy growing economy.

The issue here is not "Protectionism" versus "Free Trade" as some would try to make it. It is a much broader question of differing economic systems, a market economy based on comparative advantage versus economic socialism based on government subsidy. We are more efficient than they. But we cannot fight this battle alone.

Thank you.

*Specialty Steel Imports

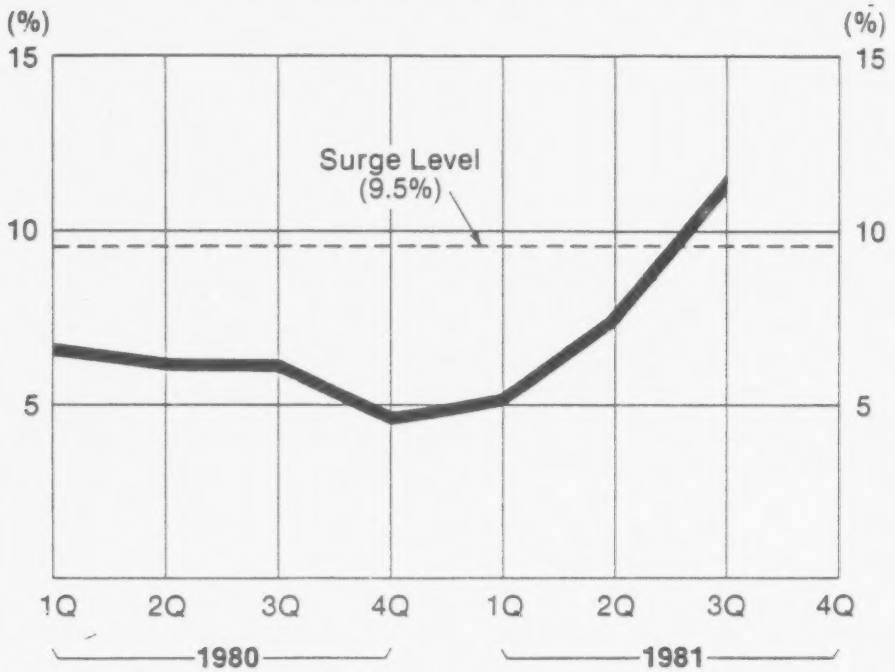


	Imports (N.T.)
1980	
1Q	37,339
2Q	36,784
3Q	27,938
4Q	26,610
1981	
1Q	29,244
2Q	40,785
3Q	50,542

***Includes only products covered by ITC decision**

Source: American Iron & Steel Institute & U.S. Department of Commerce

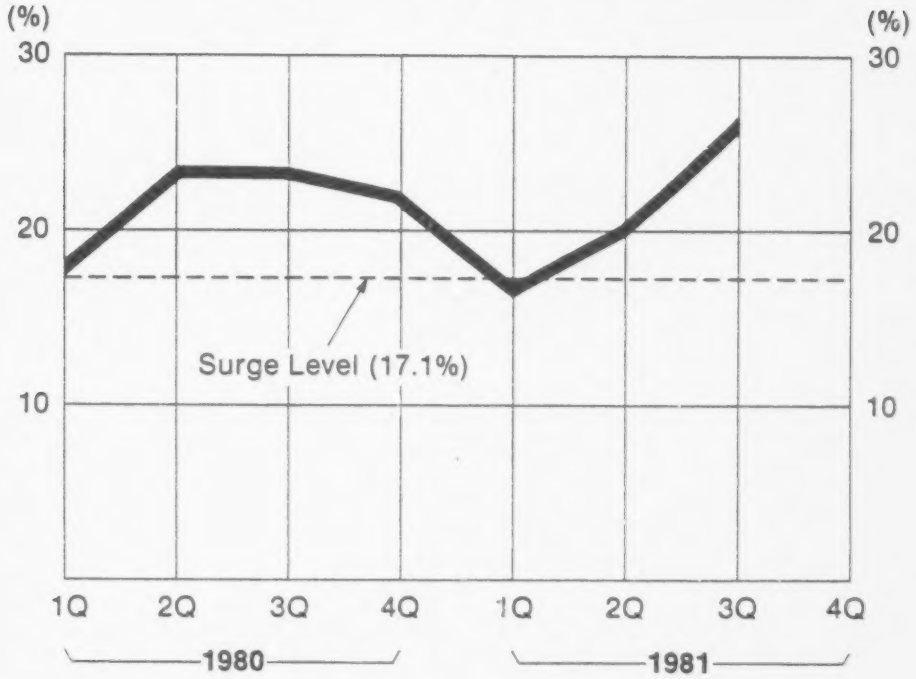
Stainless Sheet & Strip Import Penetration



	Imports (N.T.)	Import Penetration (%)
1980		
1Q	12,717	6.6
2Q	9,662	6.2
3Q	7,607	6.2
4Q	8,450	4.6
1981		
1Q	10,644	5.2
2Q	17,205	7.3
3Q	21,196	11.2

Source: American Iron & Steel Institute & U.S. Department of Commerce

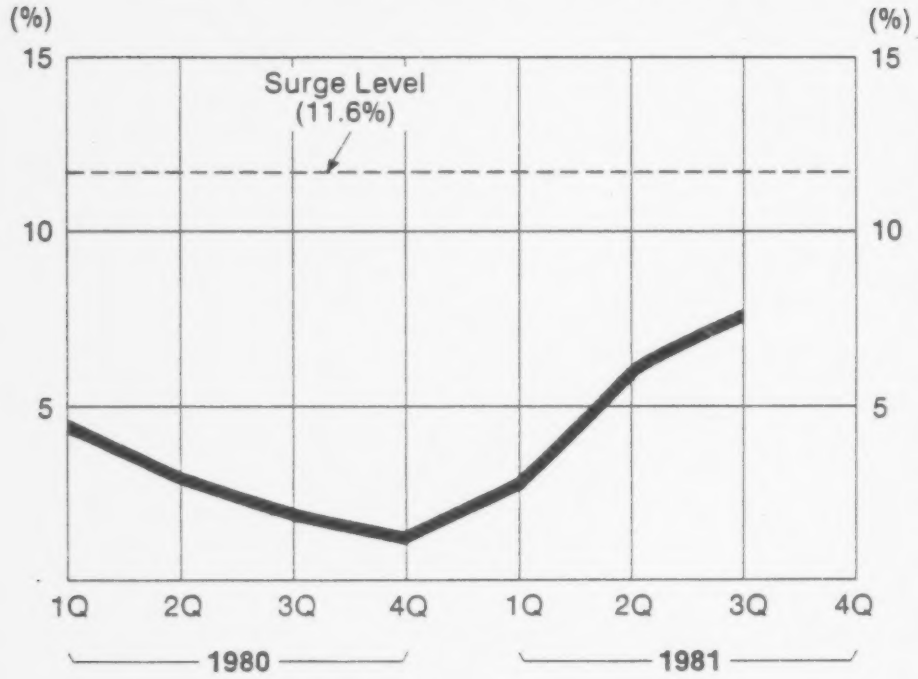
Stainless Bars Import Penetration



	Imports (N.T.)	Import Penetration (%)
1980		
1Q	9,292	18.7
2Q	11,197	23.3
3Q	8,172	23.5
4Q	8,162	21.6
1981		
1Q	6.521	16.3
2Q	7,932	20.4
3Q	10,040	26.6

Source: American Iron & Steel Institute & U.S. Department of Commerce

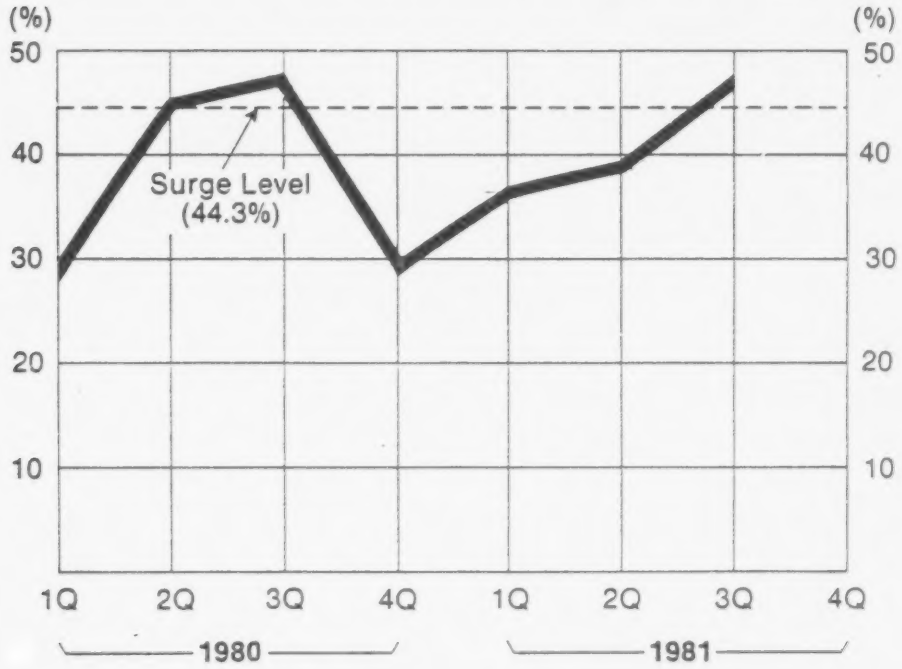
Stainless Plate Import Penetration



	Imports (N.T.)	Import Penetration (%)
1980		
1Q	1,350	4.4
2Q	756	3.0
3Q	537	1.9
4Q	333	1.2
1981		
1Q	797	2.8
2Q	2,267	6.1
3Q	2,243	7.5

Source: American Iron & Steel Institute & U.S. Department of Commerce

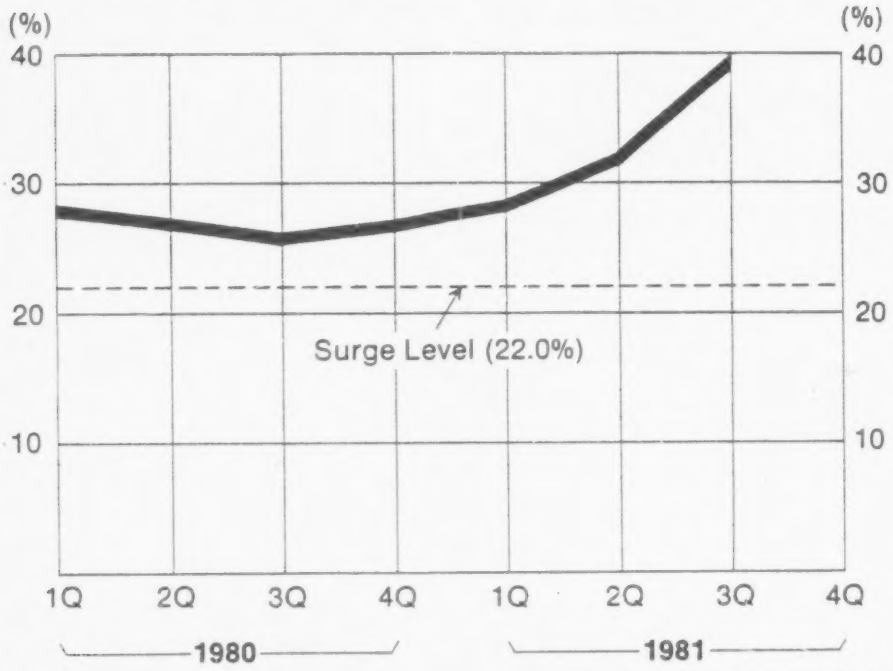
Stainless Wire Rod Import Penetration



	Imports (N.T.)	Import Penetration (%)
1980		
1Q	4,795	28.8
2Q	7,770	45.1
3Q	5,910	47.2
4Q	3,168	29.5
1981		
1Q	4,627	36.4
2Q	5,230	38.7
3Q	7,012	47.0

Source: American Iron & Steel Institute & U.S. Department of Commerce

Alloy Tool Steel Import Penetration



	Imports (N.T.)	Import Penetration (%)
1980		
1Q	9,185	28.8
2Q	7,399	27.3
3Q	5,712	26.8
4Q	6,497	27.3
1981		
1Q	6,655	28.6
2Q	8,151	32.0
3Q	10,051	39.5

Source: American Iron & Steel Institute & U.S. Department of Commerce

STATEMENT OF HUGO G. BECKER, PRESIDENT AND GENERAL MANAGER, BRAEBURN ALLOY STEEL DIVISION, CONTINENTAL COPPER & STEEL INDUSTRIES, INC.

Mr. BECKER. I am Hugo G. Becker, president and general manager of Braeburn Alloy Steel Division of Continental Copper & Steel Industries, Inc. Our steel mill is located just across the Allegheny River from here at the south end of dam No. 4 in Lower Burrell, Pa. This is Braeburn's only producing location since its founding, 83 years ago. Braeburn's products are strictly limited to the tool steel segment of the specialty steel industry. In fact, Braeburn is probably the second smallest integrated steel mill in the United States.

Senator HEINZ. Small is better.

Mr. BECKER. I didn't say that.

Senator HEINZ. Small is good. How about that?

Mr. BECKER. Excellent.

I sincerely appreciate this opportunity to testify before you today. As you realize, Senator Heinz, Braeburn is small in comparison to most other steel companies. However, we have been a significant presence in the U.S. durable goods and metalworking industries and in the economy of the Allegheny-Kiski Valley for many years.

DAYS MAY BE NUMBERED

The days of Braeburn being a significant presence in anything, however, may be numbered. Obviously after 83 years of existence, Braeburn has proven it can weather industrial recession.

On the other hand, practically all of the past recessions were, from the U.S. industrial and Braeburn viewpoints, family affairs. The present situation is not just a family affair. Included are a large number of predatory foreign wolves; wolves, I might add, who invited themselves in due to the fact that the landowner has continually allowed massive holes to be "poked" into his fences and who then either refuses or neglects to patch the holes.

As you know, Senator Heinz, alloy tool steel is a specialty steel category which has been particularly hard hit by imports. As of the end of the third quarter, 1981, imports stood at 39.5 percent of apparent domestic consumption. For the month of October, import penetration increased to 42 percent.

So these import data follow penetrations for 1980 at 27.7 percent; for 1979, 27 percent; for 1978, 24.5 percent; for 1977, 21.8 percent. But we have never experienced a situation like we have today. We are being hit very hard, and we need help. The prices we are seeing in the marketplace from our foreign competition are unbelievable. In many cases the foreign companies cannot be covering their cost of production. They have to be selling at a loss. Many of these foreign producers are government-subsidized and simply are dumping their products in our market.

It is bad enough that the foreigners dump their products in our market, but it is their general marketing approach that is suspect. They do not attempt to compete across the board, but rather their general marketing approach is to go after the high volume standard items, while leaving the low volume, highly technical special

items to U.S. producers. It is tough that Braeburn must compete in such a market. However, the steel imports are only part of the story.

Foreign cutting tools and conventional tools and dies are being shipped into the United States, thus reducing by another significant factor the volume of domestic tool steels required by U.S. manufacturers.

Obviously such market conditions seriously affect Braeburn, and, as a result, the Allegheny-Kiski Valley. For example, we note some pertinent Braeburn comparisons concerning the recent December 1981 period as compared to the 24 months preceding.

Our steel sales by weight have been reduced by about 31 percent during the past 3 months since the April-June 1980 quarter. Our total employment at Lower Burrell peaked in April 1980 at 386 employees. In April 1981, this number was reduced to 346 employees, and as of December 1981, the number was reduced to 298 employees—a reduction of 88 employees, or 23 percent in 20 months. This number only represents the tip of the iceberg, however, since in 3 of the last 6 weeks, only about 60 of the 298 employees worked normal time. The other 238 employees were on layoff due to necessary operational curtailments. Present operating projections indicate at least 1-week shutdowns for January and possibly each of the next 3 months, unless significant improvement in orders for shipment are realized.

IMPORT IMPACT ON THE ECONOMY

One of the reasons that Braeburn's drop in work force is as low as indicated is the fact that Braeburn has done a relatively large amount of conversion business. Conversion covers service, or tool work, done for customers, either by hot press forging and/or hot rolling customer material to desired configurations. A good portion of this work has been in titanium and other aerospace alloys. This business has also been cut by about 50 percent with some impact being made by the import of foreign government-supported wide body commercial aircraft, as you no doubt are aware.

The net result of Braeburn's import-impacted slowdown causes a significant effect on the economy of the Allegheny-Kiski Valley. In simple terms, it adds up to, or should I say subtracts from, the local economy, the following dollars on an annualized basis: Payroll, $2,900,000; raw material and scrap purchases, $2,450,000; supplies, utilities, and so forth, $450,000 for a total of $5,800,000, which was taken out of this valley.

Frankly, these figures scare me, and hopefully they scare other knowledgeable and responsible persons associated with the tool steel industry and in Government.

In spite of the depressing figures quoted, Braeburn is in the midst of a plant rebuilding program, which started about April 1981 and probably will be completed April-May 1982. This program represents an expenditure of about $1 million, an insignificant amount to our larger steel industry cousins, but a major investment for a small mill such as Braeburn. I can only pray that there will be an improvement in the tool steel market in the not-too-distant future. Hopefully it will be due to our Government recogniz-

ing the tool steel import problem in a realistic manner, along with other factors, otherwise I most certainly will become another negative U.S. Government statistic.

In conclusion, I would note some personal observations. As of St. Patrick's Day, I will start my 42d year in the tool and specialty steel industry. At the same time, I will be, as golfers say, on the back side of my 47th year in industry. Obviously I, too, have weathered a significant number of recessions. My first was the 1937–38 recession, a new descriptive term for one only used to the term "depression."

During the intervening years, I have spent a significant portion of my time and efforts in practically all of the industrial areas of the United States and Canada. Having lived in six States and the Province of Quebec, I thought my observations as a "landed immigrant" in Canada might be enlightening.

During that period, about 22 years ago, I spent considerable time in visits to the Canadian Government establishment in Ottawa. During these visits, the overriding theme presented by the Government was: Canada must export to live, and the largest single export market in the world is just south of the border.

I might also add that dumping is considered a cardinal sin in Canada and final results are a matter of weeks, not years, if ever, as in its neighboring country, our United States.

Apparently, the Canadian theme has been taken up by the rest of the speciality steel-producing governments, and since the landowner refuses to fix the fences, we continue to suffer from predatory wolves.

Braeburn is hopeful that the section 301 case filed by the specialty steel industry will provide the relief we need. We are sincerely appreciative of the support you have given us, Senator Heinz, and that which we have received from the Senate Steel Caucus, which includes other members of the Senate Banking Committee. I especially appreciate your drawing attention to the impact of the import situation of this area of Pennsylvania. It is certainly a critical situation for our employees and for my company.

Thank you.

Senator HEINZ. Thank you very, very much, Mr. Becker. I hope that neither you nor any of your workers become any more negative statistics. Indeed, I'd like to see some more positive statistics.

Let me ask you and Dick Simmons some questions. You can both sit down, or you can both stand up as the spirit moves you.

MAKING MONEY ON HIGH OR LOW VOLUME LINES

I listened very carefully. Mr. Becker, to what you were saying about the imports coming in on your relatively high volume lines, and that suggests to me that these imports are going to have a more than proportional effect on your profitability. I suspect, if you're anything like the company I used to be associated with 11 years ago, that you make money on your high volume lines, and the other ones you kind of just carry along as a convenience.

Mr. BECKER. I don't think that's the case. You pay your lights, gas, heat, electricity, and your overhead with the high volume

items and make money on the small ones. If somebody pulls the bread and butter out from under you, the jelly don't do any good.

Senator HEINZ. Let me put it to you this way: Which causes you to lose more money or dent your profit statement more, an equivalent volume of imports on your high volume items or an equivalent volume on your low volume items?

Mr. BECKER. The key is a volume thing. If we're talking about high speed steel, for example, the Government came out in 1978 with a report of 1970 figures. It quoted the numbers of units, instead of just dollars, and the numbers struck me at the time.

You all know what a quarter-inch drill is and what a twist drill is. Well, it's about half an inch and under in diameter. There were 298 million produced, and in sizes over a half an inch, there were 8,800,000. Now, if you take that, that's the volume line—the twist drill.

If you go down in the taps and hobs and you go down in the hobs with what they used to form gears, you find the number is 120,000 for the whole country.

Well, you can get that business and go broke. If you don't have enough volume to keep your plant and keep the flywheel concept going, you just go out of business.

We make materials today that, if I take a look at the numbers and what we charge for them, I have a heart attack. I don't believe numbers like that.

Mr. SIMMONS. Senator Heinz, I might add something.

Today, just down the street, our company will melt 3,000 tons of specialty steel in all of the grades we produce.

Senator HEINZ. In 24 hours?

Mr. SIMMONS. In 24 hours.

And the imported products are focused, as you both have said, toward those very large volume grades that make up a substantial proportion of that total of 3,000 tons.

Without the base load of those high volume, high proportionate product lines, then we cannot cover the overhead in order to produce the more profitable but much lower volume products.

Many of our foreign producers, foreign competitors do not even have an order when they produce these common variety grades. They produce them, and they ship them, and they actually sell the product while the product is on the ship between Korea or from France to the United States.

Senator HEINZ. Have you made that clear to the U.S.T.R.?

Mr. SIMMONS. Oh, yes.

Senator HEINZ. And do they understand?

Mr. SIMMONS. Yes.

Senator HEINZ. Because that is additional evidence of injury.

Mr. SIMMONS. Yes. In each one of the 201 hearings and there were three of them, as you know, we stressed that in the written and verbal testimony.

Senator HEINZ. I remember; I was there. But I'm talking about the 301 petition.

Have you made that point, and do you believe Mr. Blum and others understand that?

Mr. SIMMONS. If it is not in our initial brief, we'll make sure that Mr. Blum has it in subsequent files.

GOVERNMENT PURCHASES OF SPECIALTY STEEL

Senator HEINZ. Now, let me ask you a question that wasn't in either of your statements, but some specialty steel is purchased by the Government. How much? Is it a significant amount, or is it a relatively insignificant amount?

Mr. BECKER. I don't know.

Mr. SIMMONS. There are no Government statistics that would quantify all of the specialty steel that the Government purchases.

I would point out that much of what the Government purchases in the form of specialty steel, that the Government is the second purchaser, and it ultimately first goes to a manufacturer, who in turn sells. So it would be difficult to truly define the quantity that they purchase.

Senator HEINZ. And there are no statistics that you know of on finished products being purchased?

Mr. SIMMONS. Not that I know of.

As you know, however, in the last DOD bill, we were able to restore the specialty steel provision so that our Government did not have the right to purchase foreign specialty steel for military applications.

I understand that there are certain Members of the Congress that will try to, once again, insert that provision in the new session.

Senator HEINZ. That could very well be.

Mr. Becker, you mentioned the, what I took to be, Airbus acquisitions by a U.S. domestic airline when you mentioned foreign-subsidized aircraft.

Mr. BECKER. There are other ones for Airbus.

Senator HEINZ. What did you have in mind?

Mr. BECKER. Well, I was thinking of the Airbus. You have the BC—whatever that thing that Allegheny flies is.

Senator HEINZ. That is a funny-looking thing. I don't know whether I should admit this, but that's how I got from Washington to Harrisburg. I flew a good American product, however, from Harrisburg to Pittsburgh.

Mr. BECKER. But, no, it's—and, incidentally, you know the man responsible for the Airbus was educated solely by the U.S. Government.

Senator HEINZ. I suspect that——

Mr. BECKER. A nonprofit organization.

Senator HEINZ. As they say, we didn't plan it that way, that's the way it turned out.

Mr. BECKER. We have, for example, a forge press that operated for 3 years on the 20–21 turn basis. That means that the only time that we shut down was when the maintenance men finally insisted they had 8 hours to do something.

We're scrounging to get that thing running 10–15 turns a week, and frankly, that's probably better than most presses in this country because I've been around forge presses all my life.

When that goes down to that level, it has an impact on what my "P" and "L" looks like, which I'll tell you has been painted in red—not pink—red.

FOREIGN GOVERNMENT SUBSIDIES

Senator HEINZ. Both you and Dick Simmons have mentioned foreign government subsidies.

Can you give just one or two examples of an item that is coming in here at a ridiculously low price that you know has to be heavily subsidized?

Mr. BECKER. I can tell you things I know, but I can't prove.

Senator HEINZ. Give us an example.

Mr. BECKER. I know, for example, that high carbon, high chrome die steel, which is used for stamping and forming dies, is coming in from Brazil and selling in the marketplace for about one-third of what the present market prices are, which are no resemblance of what our so-called book prices are.

I know that there's high speed going to come in from France and going to land in Detroit, March or April, at prices that will be one-third below our present prices.

Senator HEINZ. How close are those present prices or market prices to full and fair cost?

Mr. BECKER. That's how somebody feels that day—how far you're going to go down to take an order to keep the plant going.

I'm not sure that—do you know how the book prices ever started?

Senator HEINZ. I don't know what to answer to that question.

Mr. BECKER. It goes back a little before your time. It goes back to the NRA.

When the steel companies had to put down book prices at which nobody would sell below, and over the years it's gone 180 degrees around, and this is the place where everybody starts to cut from.

Mr. SIMMONS. Senator Heinz, I could offer some specifics.

We have a competitor in Germany who is selling stainless steel sheet in the United States at prices that cover only the raw materials and energy.

We have competition from Sweden, whose labor costs are higher than U.S. labor costs and are able to sell in our market at 10 to 40 percent below our prices.

In the case of specialty steel, you have a most unique situation because the raw materials, the critical raw materials, such as chromium, nickel, make up a relatively high proportion of the total cost, and none of our foreign competition has an advantage in the purchase of these raw materials over the United States.

In fact, as a result of the strong U.S. dollar, the costs of these products, which are generally denominated in U.S. dollars, has actually gone up to our foreign competition. So that what we're really talking about, then, is their ability to convert these high cost raw materials, with the addition of enery, labor, tools, and supplies, to a product which can be sold either in our market or which we can sell in their market.

It's very clear that nation by nation, we can prove that either their labor costs are higher, their energy costs are higher, or both. Yet, they're able to sell in the U.S. market at prices anywhere from 10 to as much as 54 percent, at the present time, below U.S. prices.

As I pointed out, in real terms, our major large volume commodity—stainless steel sheet product—is substantially lower in price today than it was in 1974.

U.S. EXPORTS PROHIBITED

Indeed, because of our efficiency, we should be able to export to Sweden, whose labor costs are higher; to Germany, whose labor costs are higher; to the United Kingdom, whose efficiency is so much worse, but we're not permitted. We have no access to these countries.

I might point that, while Hugo Becker talks about imports from Brazil, we used to export to Brazil. We're now excluded from the Brazilian market because they built a stainless steel mill owned by the Government, and Allegheny Ludlum is no longer permitted to export its products to Brazil.

There are many other countries who now systematically exclude our products from their market as long as they can produce it. Yet we still export, and we export sizable amounts of materials, but generally it's high-technology products, which our foreign competitors either cannot produce or choose not to produce.

Senator HEINZ. I mentioned, Dick, in my opening statement that I'm going to be introducing, in effect, an omnibus trade bill. One of the seven sections currently in that bill is going to be a reciprocity provision, so that we can do something about the fact that many countries are locking our exports our of their markets. Japan is probably the worst offender, but you've named some of the others as well.

Regarding market conditions in foreign countries, is there any evidence that they are selling to this country at a price below their domestic prices?

Mr. SIMMONS. Oh, yes.

Senator HEINZ. So they are dumping as well as subsidizing.

Mr. SIMMONS. Absolutely. Dumping cases are presently being put together for those countries that we believe are most blatant.

Senator HEINZ. Do you believe it would be advantageous for the administration to begin cases on dumping or——

Mr. SIMMONS. Self-initiating cases as they have in carbon.

Let me say with regard to the concept of self-initiating, this is perhaps the first example in my 28 years—not 32, but 28 years—in the specialty steel industry in which our Government has for the first time indicated that it would take the position in support of American business, as compared to the traditional adversarial relationship with which you're so familiar.

We are greatly heartened by the willingness of the Government to self-initiate. Having had very close contact with Commerce from whence such self-initiation has to come, it's very clear, however, that the industry is going to have to provide the information for such cases to be self-initiated and at least for the present, the specialty steel industry has decided that, since we have to build the cases anyway, we would prefer to file the cases, in effect, to have control of them.

We are greatly encouraged by the willingness of the administration to take this dramatic, almost epic, act compared to our traditional posture in the trade area.

Senator HEINZ. Both of you heard what Mr. Blum had to say.

Do you have any addenda or comments, either for his benefit or for my benefit?

Mr. SIMMONS. Of course, I've known Charlie Blum since he was in the Foreign Service. In fact, I think I gave him his first lecture on international trade at the Foreign Service School and so he knows everything I've ever said, but I would like to say something to you.

START OF A TRADE WAR

One of the issues that it seems will become very important—and I personally believe that the trade issue is going to be the issue of the 1980's—but one of the key issues in the trade area will be the growing media claim that's already been posed to be me, "Aren't you starting a trade war, Mr. Simmons? Isn't the specialty steel industry starting a trade war—or the carbon steel industry?"

I think that that issue has to be dealt with, and the way I would hope it would be dealt with is to remind the Congress, perhaps through you, Senator Heinz, that we didn't start the trade war. It is already started. Unfortunately, only one side has begun to fight, and what I would like to hope is that both sides will begin to fight.

When that point, I think, is made clear, it will be easier for the administration to embrace the concept of reciprocity, which is vital and which has been needed for 30 years.

I am greatly encouraged by the statements of the Secretary of Commerce this week with regard to the need for reciprocity.

Now, with all of the rhetoric, we hope that we'll see some action.

Senator HEINZ. Well, as you know, about 2 or 3 months ago now, I made a speech to the National Foreign Trade Council in Washington, D.C. I think I sent you a copy of that speech, where I claimed exactly the same thing you claim, and I know you have been claiming it for quite some time.

Mr. SIMMONS. Maybe I plagiarized it from you.

Senator HEINZ. I doubt it, because, unfortunately, it has been true for a very long time. Other countries have been subsidizing, dumping in this country for years, if not decades, and if this country doesn't wise up, we're going to find ourselves wondering what happened to us. We already seem to be wondering what happened to us, and, you know, we have a very sick economy. Autos are sick; steel is sick.

Now, you can say that the homebuilding industry, which is also sick, is not a casualty of imports, but you can't say that of autos or steel.

As it was pointed out by Jim Coyne a few minutes ago, you recognize that the EEC has a very simple policy about auto imports. You know, you can have 3 percent of our market all told, and that's it, fellows.

They have a very effective and efficient means of dealing with that.

I was particularly interested, Mr. Becker, in your comment that the Canadians seem to have, what you might call, a very effective stop loss provision.

Can you tell us a little about it?

Mr. BECKER. I don't think the stuff gets across the border before they start working.

Senator HEINZ. Do you know anything about their procedures?

Mr. BECKER. You have to remember that was 20 years ago.

Senator HEINZ. All right. Well, either you or maybe Dick could send me any information you have on the Canadian procedures.

Mr. SIMMONS. Allan Wolff has done an indepth study, and I'll be glad to contact him.

Senator HEINZ. We'll contact Allan. I know him well.

Mr. SIMMONS. The Canadian ministry in charge of import control will automatically impose an 18-percent duty on any steel products which can be produced in Canada—immediately. And any time imports of certain——

Senator HEINZ. That doesn't sound like antidumping; that just sounds like protection.

Mr. SIMMONS. And any time a product line achieves a market penetration that begins to injure any Canadian steel company, by a simple visit to the Canadian ministry, there is instant action. It is a remarkable system, and it is one that many of us envy because we export to Canada.

To give you an example, occasionally they will take the 18-percent duty off. By the way, when they export to the United States, the duty is 6 percent; when we export to Canada, it's 18 percent.

Senator HEINZ. Well, I remember the 18 percent because we were trying to sell them some pipe not so long ago, as Jim Coyne and I discussed, I'd say, about 1977, Jim?

Mr. COYNE. 1978. And there was a world shortage of pipe.

Senator HEINZ. That's right.

Mr. COYNE. And they're still charging us 15 percent on the pipe that they desperately need, and we're importing 40 percent of our pipe from Japan. Now, you explain that one to me.

Senator HEINZ. Not today.

Very well. Dick, Mr. Becker, thank you very much. You have been extremely excellent witnesses as has Jim Coyne and Mr. Blum.

Now, I'm going to call our cleanup witness, who, were he still mayor here, would probably be cleaning up.

Chuck Hanna is not only the just-retired mayor of Brackenridge, but he is, I gather, the just-about-to-be-retired Allegheny Ludlum Steel employee; is that right?

Mr. HANNA. I have been for 3 years.

Senator HEINZ. You don't look that retired.

Mr. HANNA. I got a good wife.

Senator HEINZ. You certainly do.

The record will reflect that Olga Hanna is an outstanding wife.

STATEMENT OF CHARLES HANNA, FORMER MAYOR, BRACKENRIDGE, PA.

Mr. HANNA. Senator Heinz, I thank you for this opportunity to speak before this audience, but I also thank you for being last because I know that means be brief and get us out of here, and I will do that.

As a long-time resident of Brackenridge, having just completed 12 years as its mayor, I must voice my strong concern for the economic health of the citizens of this community.

In this area, Brackenridge, Harrison Township, and Tarentum, which has a population of 30,000 people, there are more than 1,900 residents who are directly employed by Allegheny Ludlum Steel Corp. There are also the retirees, the families, and the merchants.

As I walk down Brackenridge Avenue and see folks along the street and in the grocery stores, the topic of conversation most ofen mentioned is, "When do you think I'll be called back to Allegheny Ludlum?"

Gentlemen, I can't answer that; the officials can't answer that. That answer can only be answered in Washington. Let's hope it's not too late in coming.

If the administration is so sincere about getting back on the right track again, then there isn't a better place to start or a better time than right now, and they should start with the specialty steel.

IMPACT OF IMPORTED DUMPED STEEL

About 1,400 employees have been laid off as the full impact of the recession and the increased imports hit Allegheny Ludlum.

I recently heard that—and I heard it here this evening—there was 160,000 tons of specialty steel brought into the United States in 1981, and much of it was dumped. That means it was sold below production costs.

Had we had that tonnage and produced that, all the people would have their jobs. We would have a growth area, not a distressed area. Several thousand people would be needed, instead we have families on welfare, food stamps, and unemployment benefits running out.

They are looking for solid decisions from our political leaders. They can't understand why governments won't allow us to ship the goods into their countries, but we leave the door open to them. I don't understand it either. People are losing hope and faith in their Government.

I have talked to many steelworkers and retirees recently. They are convinced that Allegheny Ludlum is a low-cost producer and proud of its technical advances.

They also believe that their jobs have been lost because of unfair foreign specialty steel imports. There is no question about that. This is what is going on. We know it; I just hope the Government knows it.

Let me assure you, gentlemen, that the very survival of this town and the communities around it depend on the strong specialty steel industry.

ACTION FOR FAIR TRADE NEEDED NOW

If you don't take action for fair trade soon, our people will leave western Pennsylvania, and we will become small towns with nothing but elderly people with no economic base and no hope.

This great Nation of ours became a great Nation because of our ability to produce steel. Let's not destroy it.

Senator Heinz, I want to thank you on behalf of 30,000 residents of this area for having this hearing at the front doorsteps of Allegheny Ludlum Specialty Steel Co. They, too, I know, are looking to Washington for help because their very existence depends on the help that they can get from Washington, but by the same token, our existence also depends on Allegheny Ludlum.

Thank you very much.

Senator HEINZ. Thank you. Chuck, I have one question.

Mr. HANNA. Was that brief enough?

Senator HEINZ. Just the way you tried to teach me.

Chuck, I have one question to you.

Mr. HANNA. Yes, sir.

Senator HEINZ. What proportion of the tax base in Brackenridge would you say Allegheny Ludlum directly or indirectly accounts for?

Mr. HANNA. Well, what proportion? We received in Brackenridge Borough in the past year on wage tax, for instance, around $72,000.

We do not receive a whole lot as far as the occupational tax, which is a $10 tax because, I think, we only tax about 100 or 150 employees or something like that.

Mr. SIMMONS. Chuck, you might want to explain that most of the plant is in Harrison Township.

Mr. HANNA. There is only one little small segment of the plant in Harrison Township, although we do provide the highways and clear the roads for the employees to get in and the parking and police protection and what have you.

Senator HEINZ. I don't think that point will be lost.

Mr. HANNA. As a matter of fact, I'll tell you something.

You know, Brackenridge doesn't have a highway maintained by the county like Harrison Township does. They only have a small portion of Route 28 maintained by the State, but Harrison Township was fortunate enough to have every employee come into their town, travel over county-maintained roads or State roads and never have to touch a township road.

Of course, when they come into Brackenridge to work at the mill, they have to travel over our roads, and we must maintain them. Then that's very difficult.

Senator HEINZ. Message received and understood by all concerned.

Mr. HANNA. This is very important to the municipalities. The municipalities—you just can't believe how much the economy of the mill affects us.

Senator HEINZ. I would imagine that the economy of Harrison Township and Brackenridge together really are extraordinarily dependent on Allegheny Ludlum and that the tax base of the two municipalities combined benefits substantially from Allegheny Ludlum; would that be accurate?

Mr. HANNA. That's very accurate.

Senator HEINZ. Chuck, it is a great pleasure to have you here before this committee, and I want to extend my best wishs to you, to Dick Simmons, to Hugo Becker, to Jim Coyne, to Charlie Blum—for your participation. It has been very helpful, and I want to thank you all on behalf of our committee.

Hearing adjourned.

[Hearing concluded at 6:55 p.m.]

[Additional material received for the record follows:]

SPECIALTY STEEL INDUSTRY OF THE UNITED STATES
Suite 308/1055 Thomas Jefferson Street, NW Washington, D.C. 20007 (202/342-8450)

SPECIALTY STEEL: December 2, 1981

A HIGH-TECHNOLOGY, COMPETITIVE AMERICAN INDUSTRY IN TROUBLE

Summary

The domestic specialty steel industry has been found to be a highly competitive American industry which is essential to the national defense. Yet, because of increasing competition from foreign producers who are subsidized and who use unfair trade practices in the American marketplace, the industry faces a critical challenge to its future. Imported specialty steel is taking a rapidly growing share of the domestic market, worker layoffs are increasing weekly, and the U.S. government's "surge mechanism" has proved ineffective to deal with foreign unfair trade practices. Therefore, the industry has undertaken an aggressive program to deal with the problem of foreign unfair trade practices. The first action to be taken is the filing of a "section 301" case with the Office of the United States Trade Representative. This case describes the vast system of government subsidies to foreign specialty steel producers. These subsidies violate international and U.S. laws, and the specialty steel industry has asked our government to take appropriate actions to eliminate unfair trade practices and require foreign producers to compete fairly in the U.S. marketplace.

Specialty Steel:

A High-Technology, Competitive American Industry in Trouble

I. Introduction

The United States' specialty steel industry is recognized as a highly competitive American industry essential to the national economy and defense. Yet, because of increasing competition from government-owned or subsidized foreign producers in the American marketplace, the industry faces a critical challenge. Imported specialty steel, using unfair trade practices, is taking a rapidly growing share of the domestic market. This is causing severe injury to American producers, increasing worker layoffs, and threatening the future of this industry.

The U.S. government's specialty steel "surge mechanism" has proved ineffective in dealing with foreign illegal and unfair trade practices. The Specialty Steel Industry of the United States and the United Steelworkers of America, AFL-CIO/CLC are therefore mounting an aggressive program under U.S. trade laws. The first step is the filing -- on December 2, 1981 -- of a "section 301 case" with the Office of the United States Trade Representative (USTR). This landmark action highlights the vast system of government subsidies to foreign specialty steel producers, which violate U.S. and international laws. The specialty steel industry and the union have asked our government to take appropriate actions to require foreign producers to compete fairly in the U.S. marketplace. Additional actions against certain countries and foreign specialty steel producers covering specific product lines will be taken. The industry contemplates that supplementary "antidumping" and "countervailing" duty suits will be filed as soon as current investigations have been completed.

II. The Specialty Steel Industry

America's highly industrialized economy has become critically dependent upon specialty steels.

"Specialty steels" generally are identified as stainless steels; tool and die steels; high-temperature alloys (superalloys); electrical, magnetic, refractory, electronic, and

reactive metals. They are designed and produced for applications in extreme environments demanding special hardness; toughness; resistance to heat, corrosion, or abrasion; or combinations of these characteristics. Because of their high-alloy contents, technological properties, and/or the special processing techniques needed to meet close specifications, specialty steels are more difficult to make and call for greater labor input than other steels.

The national requirements for specialty steels may be classified into two groups: activities which are necessary to maintain the civilian economy and a strong industrial base; and those defense needs which bear directly upon military preparedness. Many uses of specialty steels in these two areas are interrelated, and often manufactured products containing specialty steels can be used for both civilian and military purposes. Specialty steels are vital to the needs of our civilian economy and our defense operations -- which, in turn, are dependent upon the ability of this nation to maintain a strong, viable industrial base.

There are many critical applications for specialty steels for which there is no economic, or readily available, substitute material. To keep the highly mechanized and broadly diversified economy of this country running smoothly, specialty steels are an indispensable, basic material.

III. A Highly Competitive American Industry

The United States' specialty steel industry is the world's most efficient producer of specialty steels. U.S. specialty steel companies have invested heavily in new facilities and advanced technology -- resulting in greatly increased productivity. America's specialty steel producers are the world's leaders in technology, advanced equipment, and alloy developments.

The Office of Technology Assessment of the United States Congress completed an extensive study of the steel industry in 1980. The OTA concluded that, with major investments having been made in advanced technologies such as continuous casting and the "AOD" refining process, the domestic specialty steel industry is highly competitive.

IV. An Industry Essential to National Defense

The Senate Armed Services Committee has determined that the specialty steel industry is essential to the national defense. Following hearings which included witnesses from the Department of Defense, the Committee determined that the

products produced by the specialty steel industry are absolutely necessary to support our military capabilities.

Some examples of industries producing essential goods and services for the national defense which are dependent upon specialty steels are the following: the electrical power system, the aircraft industry, semiconductors, food processing, transportation systems, marine equipment, petroleum processing, and chemical processing. Tool and high-speed steels are "the tools which make everything else" in our industrialized economy.

V. The Import Problem

Subsidized and dumped imports of foreign specialty steel present a critical challenge to the future of the domestic industry.

Specialty steel imports are not covered by the Trigger Price Mechanism (TPM), with the exception of stainless wire. However, in 1980, the Carter Administration announced a "surge mechanism" for specialty steels because of concern about such imports. Administered by the Department of Commerce, this program is designed to alert the government of "surges" in specialty steel imports. These surges may indicate unfair trade practices resulting from foreign dumping or government subsidies. If the Commerce Department finds evidence of dumping or subsidization, appropriate legal actions can be taken against foreign producers.

Despite the good-faith efforts of the Department of Commerce, the surge mechanism has not proved effective to deal with the import problem. Imported specialty steel is taking a growing share of the domestic market. For example, current data (3rd quarter 1981) indicates that imports -- as a percentage of domestic consumption -- are at the following extremely high levels for the key specialty steel product areas shown below:

PRODUCT	IMPORT PENETRATION
Alloy tool and high-speed steels	39.5%
Stainless steel:	
Rod	47.0%
Bar	26.6%
Plate	7.5%
Sheet and strip	11.2%
Pipe and tubing	58.9%

Unemployment is increasing weekly. The present rate of unemployment in the domestic specialty steel industry is over 21 percent. In addition, Bethlehem Steel, a substantial producer of tool steels, has announced their complete withdrawal from that market and has described imports as a major factor in their decision.

The Specialty Steel Industry of the United States and the United Steelworkers of America will not sit by while our industry is devastated by illegal and unfairly traded imports of specialty steel. Therefore, the industry and the union have undertaken an aggressive program to deal with this problem. The first action is a "section 301" case, filed December 2 with the Office of the United States Trade Representative (USTR). Additional actions are under consideration.

The "section 301" case describes the vast subsidies being provided to foreign specialty steel producers by their governments. These subsidies are illegal under international agreements, such as the Subsidies Code of the General Agreement on Tariffs and Trade, and under the American countervailing duty laws. It is obvious that, no matter how efficient, American companies -- which must be profitable to survive -- cannot long compete against subsidized foreign producers. Prices of foreign specialty steel products sold in the marketplace often do not even cover the costs of producing them. Foreign producers can afford to sell at such prices only because their losses are made up by government grants, loans, tax rebates, and other similar subsidies.

The industry and the union are hopeful that our government will take appropriate actions to require foreign producers to compete in the domestic market under fair, competitive conditions.

VI. Specialty Steel Producers of the United States

Employing approximately 26,000 production workers, the producing facilities of the specialty steel industry are small in relation to large carbon steel, fully integrated plants. Annual sales by all specialty steel companies are a fraction of those by the large, carbon steel producers. Some specialty steel producers are one- or two-products companies. The equipment required is highly specialized and must be versatile enough to take care of small production lots of a wide range of grades, custom melted for the specific requirements of each customer.

Though relatively small, the specialty steel companies are well known. They include the following:

Allegheny Ludlum Steel Corporation
AL Tech Specialty Steel Corporation

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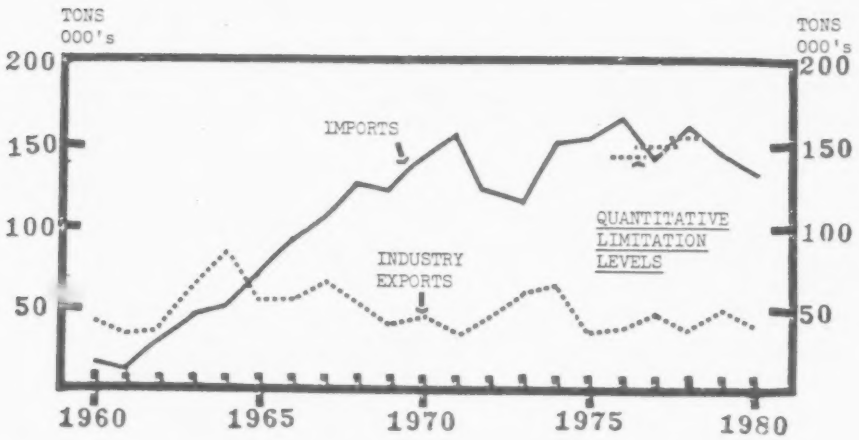
Braeburn Alloy Steel Division/Continental Copper
& Steel Industries
Carpenter Technology Corporation
Columbia Tool Steel Company
Crucible Materials Group, Colt Industries
Eastern Stainless Steel Company
Guterl Special Steel Corporation
Jessop Steel Company
Joslyn Stainless Steels
Latrobe Steel Company
Universal-Cyclops Specialty Steel Division/
Cyclops Corporation
Washington Steel Corporation

Large, carbon steel companies which have specialty steel operations include those shown below:

ARMCO, Inc.
Jones & Laughlin Steel Corporation
Republic Steel Corporation

*TOTAL SPECIALTY STEEL



	Industry Exports (Tons)	Imports (Tons)	Imports as a % of Domestic Market
1960	42,011	16,482(E)	2.6
1961	32,521	14,618(E)	2.4
1962	37,737	31,188(E)	4.6
1963	62,045	47,545(E)	6.7
1964	76,505	50,743	6.4
1965	55,214	70,550	7.6
1966	55,596	94,328	9.6
1967	66,532	104,701	11.7
1968	52,070	126,404	13.5
1969	40,983	125,071	12.4
1970	45,062	143,593	17.9
1971	35,823	158,533	18.8
1972	43,223	122,963	13.0
1973	60,802	114,148	9.4
1974	63,450	151,147	10.8
1975	35,259	153,694	18.4
1976	37,670	167,193	14.9
1977	49,748	141,351	11.9
1978	37,502	156,485	12.4
1979	47,887	148,444	10.3
1980	43,355	131,504	11.0

Sources: U.S. Bureau of the Census and AISI

* Includes only products covered by ITC decision

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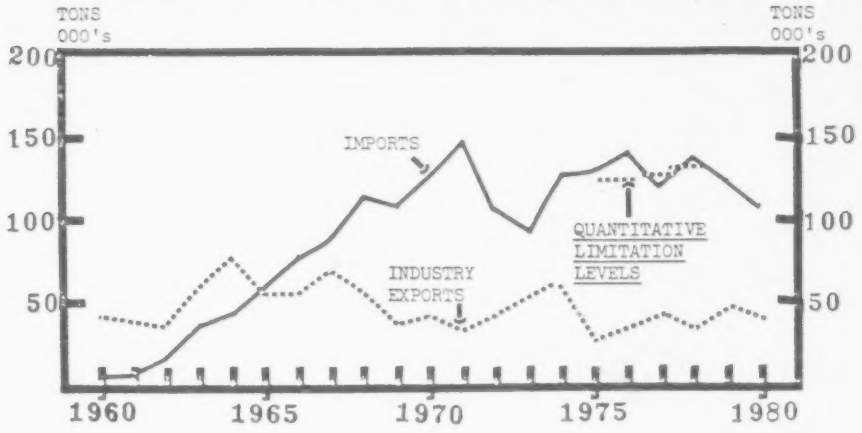
*STAINLESS SHEET & STRIP, PLATE, BAR & ROD



	Industry Exports (Tons)	Imports (Tons)	Imports as a % of Domestic Market
1960	40,691	4,500(E)	0.8
1961	30,898	5,845(E)	1.1
1962	36,100	16,799(E)	2.9
1963	60,304	33,499(E)	5.6
1964	74,230	42,450	6.2
1965	53,562	57,922	7.3
1966	53,823	77,093	9.1
1967	64,893	87,732	11.4
1968	50,464	112,959	13.8
1969	38,258	110,368	12.5
1970	42,903	126,247	18.1
1971	32,206	145,951	19.3
1972	40,065	108,267	12.8
1973	54,119	92,839	8.5
1974	54,730	127,195	10.0
1975	27,340	129,458	17.3
1976	32,080	140,151	13.7
1977	41,139	120,026	11.0
1978	32,469	137,113	11.6
1979	43,426	122,248	9.2
1980	[illegible]	[illegible]	9.5

* Only ITC products. Excludes stainless razor blade strip, tubing, wire and semi-finished products.

Sources: U. S. Bureau of the Census and AISI

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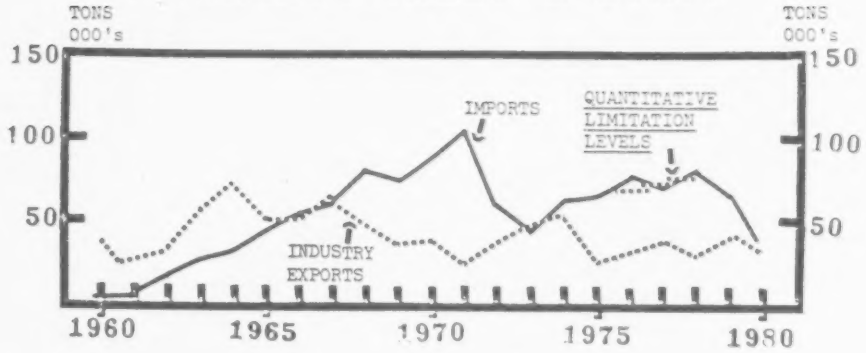
STAINLESS SHEET & STRIP



	Industry Exports (Tons)	Imports (Tons)	Imports as a % of Domestic Market
1960	38,821	2,614(E)	0.7
1961	29,283	2,529(E)	0.7
1962	33,530	12,216(E)	3.0
1963	57,643	26,028(E)	6.1
1964	71,802	31,101	6.4
1965	50,402	43,843	7.9
1966	51,265	56,660	10.1
1967	62,729	60,922	11.7
1968	48,592	81,353	14.1
1969	35,969	75,723	12.2
1970	39,653	88,824	18.5
1971	28,969	105,798	19.3
1972	37,900	59,644	9.7
1973	49,953	44,699	5.6
1974	50,800	64,887	7.3
1975	25,026	65,963	13.7
1976	30,068	78,279	10.4
1977	38,492	70,464	8.8
1978	29,760	80,720	9.5
1979	39,470	67,951	7.3
1980	34,456	42,448	5.9

Sources: U.S. Bureau of the Census and AISI

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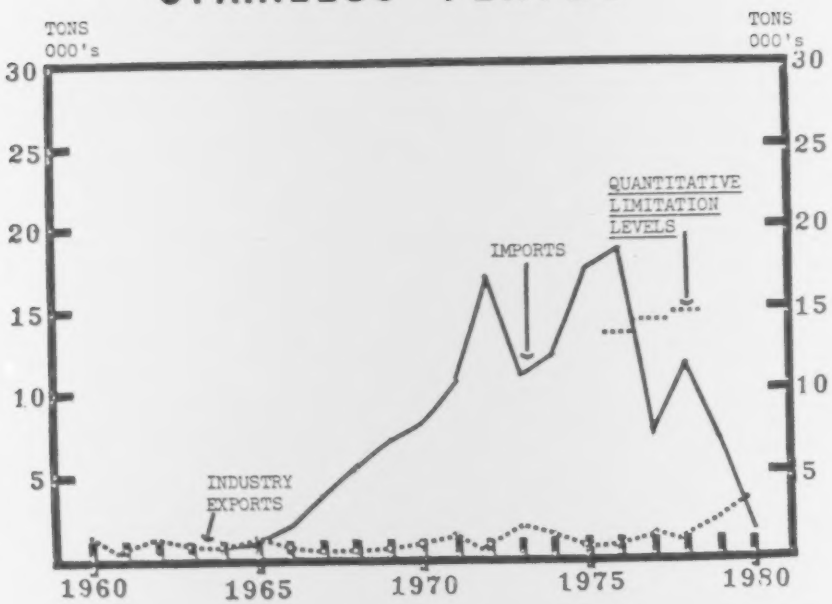
STAINLESS PLATES



	Industry Exports (Tons)	Imports (Tons)	Imports as a % of Domestic Market
1960	1,082	-	Complete Import Data was not available until 1964
1961	611	-	
1962	647	-	
1963	901	-	
1964	791	786	1.3
1965	1,136	884	1.2
1966	866	1,899	2.4
1967	622	3,787	5.9
1968	423	5,198	8.4
1969	519	7,153	9.6
1970	714	8,342	13.2
1971	1,179	10,360	17.1
1972	509	17,116	23.2
1973	1,417	11,242	12.6
1974	1,315	12,353	6.8
1975	662	17,479	15.6
1976	751	18,639	19.2
1977	1,160	7,545	8.0
1978	912	11,408	9.1
1979	2,322	7,029	4.6
1980	3,933	2,981	2.4

Sources: U.S. Bureau of Census and AISI

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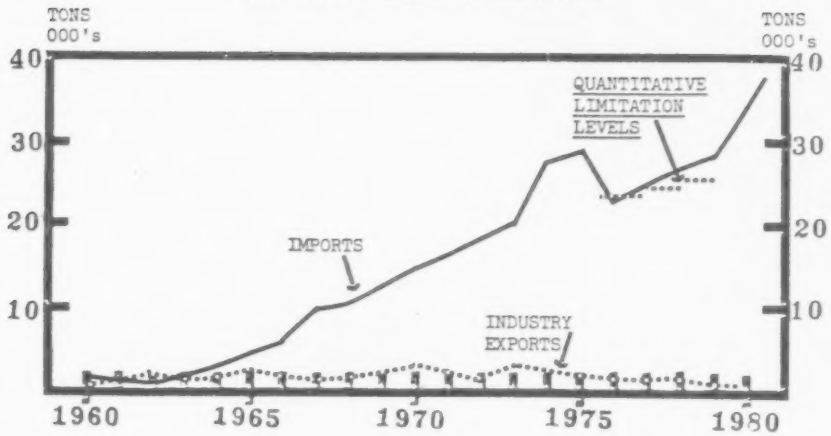
STAINLESS BARS



	Industry Exports (Tons)	Imports (Tons)	Imports as a % of Domestic Market
1960	787	1,147(E)	1.2
1961	1,001	991(E)	1.0
1962	1,918	976(E)	0.9
1963	1,722	1,884(E)	1.7
1964	1,481	2,487	2.1
1965	2,022	4,122	2.8
1966	1,690	5,846	3.4
1967	1,531	9,796	6.2
1968	1,431	10,483	6.9
1969	1,729	12,628	7.8
1970	2,454	15,196	11.3
1971	2,020	16,243	13.3
1972	1,543	18,505	14.0
1973	2,502	20,137	11.9
1974	2,401	27,879	14.3
1975	1,599	29,175	23.0
1976	1,116	23,146	17.4
1977	1,259	25,216	17.0
1978	1,922	27,270	17.0
1979	1,450	28,854	15.9
1980	1,174	36,824	20.5

Sources: U.S. Bureau of the Census and AISI

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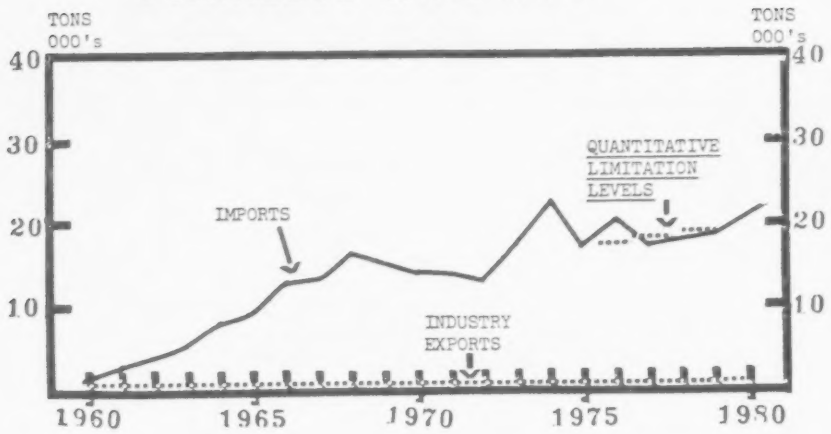
STAINLESS WIRE ROD



	Industry Exports (Tons)	Imports (Tons)	Imports as a % of Domestic Market
1960	1	739(E)	6.4
1961	3	2,325(E)	15.9
1962	5	3,607(E)	19.9
1963	38	5,475(E)	28.8
1964	156	8,076	40.3
1965	2	9,073	36.9
1966	2	12,688	42.0
1967	11	13,227	53.2
1968	18	15,925	63.7
1969	41	14,864	59.2
1970	82	13,885	66.8
1971	39	13,550	56.3
1972	113	13,002	49.1
1973	247	16,761	41.4
1974	214	22,076	45.5
1975	60	16,841	61.9
1976	145	20,087	50.5
1977	228	16,801	39.5
1978	175	17,715	38.5
1979	185	18,414	31.3
1980	400	21,637	37.7

Sources: U.S. Bureau of Census and AISI

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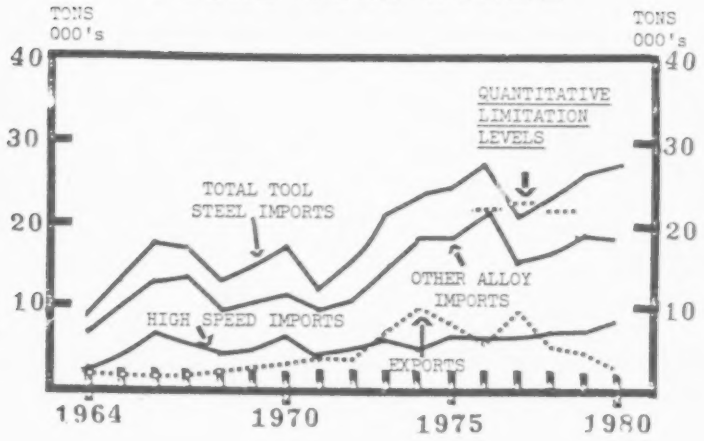
TOTAL TOOL STEEL



	Exports (Tons)	*Imports (Tons)			Total Tool Steel Imports as a % of Domestic Market
		High Speed	Other Alloy	Total Tool	
1964	2,275	1,886	6,407	8,293	7.7
1965	1,652	2,854	9,774	12,628	9.8
1966	1,775	4,650	12,585	17,235	12.6
1967	1,639	3,684	13,285	16,969	13.5
1968	1,606	4,387	9,058	13,445	11.4
1969	2,725	4,457	10,246	14,703	11.7
1970	2,159	6,168	11,178	17,346	16.8
1971	3,617	3,025	9,557	12,582	14.5
1972	3,158	4,361	10,335	14,696	14.4
1973	6,683	5,776	15,533	21,309	17.0
1974	8,520	5,490	18,462	23,952	18.6
1975	7,919	5,832	18,404	24,236	28.4
1976	5,590	6,318	20,724	27,042	27.7
1977	8,609	6,161	15,164	21,325	21.7
1978	5,133	7,283	16,072	23,355	21.2
1979	4,461	7,276	18,920	26,196	22.5
1980	3,332	9,095	18,529	27,624	26.6

* Only ITC products. Excludes Bearing Steel, Chipper Knife and Band Saw Steels and High Speed Wire.

Sources: U.S. Bureau of the Census and AISI

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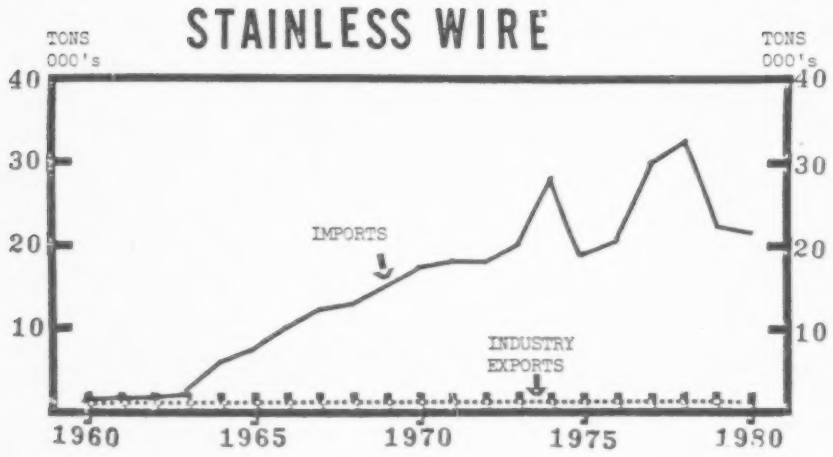

	Industry Exports (Tons)	Imports (Tons)	Imports as a % of Domestic Market
1960	135	798(E)	3.3
1961	231	1,026(E)	4.1
1962	269	1,453(E)	5.2
1963	250	2,089(E)	8.0
1964	236	5,804	18.6
1965	386	7,246	20.7
1966	140	10,011	23.2
1967	204	12,665	30.2
1968	178	12,619	33.9
1969	120	14,883	36.9
1970	246	17,586	54.7
1971	276	17,812	49.7
1972	393	17,726	37.6
1973	198	21,626	35.6
1974	680	28,318	42.9
1975	328	19,428	52.1
1976	156	20,844	45.4
1977	169	30,097	53.8
1978	280	32,803	53.5
1979	331	33,115	40.8
1980	345	20,896	47.2

Sources: U.S. Bureau of the Census and AISI

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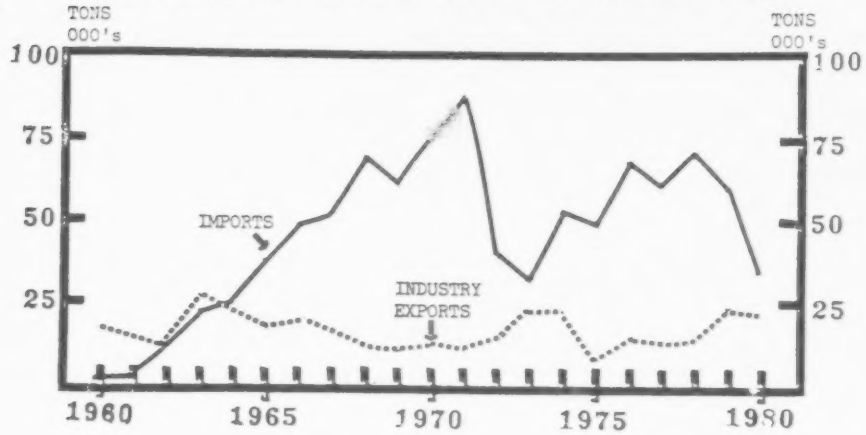
STAINLESS COLD ROLLED SHEETS



	Industry Exports (Tons)	Imports (Tons)	Imports as a % of Domestic Market
1960	16,208	1,954(E)	1.6
1961	14,527	2,301(E)	1.7
1962	12,921	11,781(E)	8.1
1963	26,017	23,631(E)	15.3
1964	22,008	24,985	14.2
1965	18,191	37,245	17.7
1966	19,158	47,228	20.1
1967	16,593	53,066	23.6
1968	11,593	69,012	28.0
1969	10,380	62,739	22.7
1970	13,177	75,681	34.2
1971	10,945	86,571	32.9
1972	14,555	44,548	15.4
1973	23,537	33,217	8.5
1974	22,276	53,153	10.5
1975	8,971	50,768	19.0
1976	14,899	67,355	14.4
1977	13,081	62,529	11.9
1978	14,094	71,794	12.9
1979	24,038	60,022	10.0
1980	22,187	32,353	7.0

Sources: U.S. Bureau of the Census and AISI

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Monthly Net Tons

SPECIALTY STEEL IMPORTS - 1980

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
I.T.C. COVERED PRODUCTS												
STAINLESS												
Hot Rolled Sheet	582	389	1,476	238	461	638	352	395	283	3	264	88
Cold Rolled Sheet	5,031	3,692	2,284	3,659	2,378	1,986	1,555	2,697	1,317	3,291	1,833	2,630
Hot & Cold Strip (except Razor)	552	385	310	522	294	483	270	363	597	406	294	450
TOTAL SHEET & STRI	6,165	4,466	4,070	4,419	3,133	3,107	2,177	3,455	2,197	3,700	2,391	3,168
Plate	497	342	515	296	150	310	170	252	115	152	95	87
Hot Rolled Bars	332	1,361	617	1,109	552	1,138	436	446	585	495	547	514
Cold Finished Bars	736	3,938	2,308	3,988	2,039	2,374	1,717	2,589	2,398	1,650	2,256	2,699
TOTAL BARS	1,068	5,299	2,925	5,097	2,591	3,512	2,153	3,035	2,983	2,145	2,803	3,213
Wire Rod	878	2,365	1,551	2,271	2,643	2,854	2,640	1,885	1,382	1,614	687	867
TOTAL STAINLESS	8,608	12,472	9,061	12,083	8,517	9,783	7,140	8,627	6,677	7,611	5,976	7,335
TOOL STEEL (Net of Exclusions)	3,588	3,478	2,629	2,974	1,989	1,994	1,788	1,736	1,568	1,638	1,822	2,420
GRAND TOTAL--ITC COVERED PDTS.	12,196	15,950	11,690	15,057	10,506	11,777	8,928	10,363	8,245	9,249	7,798	9,755
OTHER SPECIALTY STEEL PRODUCTS												
STAINLESS												
Razor Blade Strip	61	38	88	65	58	93	91	37	52	49	74	43
Seamless Tubes	959	1,194	1,500	915	1,306	1,430	1,296	831	1,402	1,462	1,175	1,486
Welded Tubes	852	715	647	1,148	678	798	687	677	459	678	591	829
Round Wire	2,288	1,575	1,774	1,881	2,145	1,686	1,371	1,161	1,303	1,432	1,349	1,551
Flat Wire	112	135	104	81	82	99	260	63	20	125	129	170
Semi-Finish	17	113	303	240	478	303	342	403	324	527	156	218
TOTAL OTHER STAINLESS	4,289	3,770	4,416	4,330	4,747	4,409	4,047	3,172	3,560	4,273	3,474	4,297
TOOL STEEL												
Bearing Steel	1,735	1,740	2,388	1,713	1,923	817	1,898	2,086	2,847	1,240	1,172	1,154
Chipper Knife & Saw Blade	110	87	162	123	194	55	376	65	102	181	59	346
High Speed Wire	145	34	49	18	12	35	48	17	15	10	4	20
TOTAL OTHER TOOL STEEL	1,990	1,861	2,599	1,854	2,129	907	2,322	2,168	2,964	1,431	1,235	1,520
GRAND TOTAL-OTHER SPECIALTY PDTS	6,279	5,631	7,015	6,184	6,876	5,316	6,369	5,340	6,524	5,704	4,709	5,817
GRAND TOTAL - SPECIALTY STEEL IMPORTS	18,475	21,581	18,705	21,241	17,382	17,093	15,297	15,703	14,769	14,953	12,507	15,572

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SPECIALTY STEEL IMPORTS - 1960 through 1980

Product Description	1960 (E)	1961 (E)	1962 (E)	1963 (E)	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
STAINLESS																					
Hot Rolled Sheet	-	-	-	-	1,662	1,317	1,320	722	860	1,993	1,077	2,152	513	844	1,329	1,003	1,511	640	43	2,488	5,169
Cold Rolled Sheet	1,954	2,301	11,781	23,631	24,985	37,245	47,228	53,066	69,012	62,739	75,681	86,571	44,548	33,217	23,153	50,768	67,355	62,529	71,794	60,032	32,353
Total	1,954	2,301	11,781	23,631	26,647	38,562	48,548	53,788	69,872	64,732	76,758	88,723	45,061	34,061	24,482	51,771	68,866	63,169	71,837	62,520	37,522
Strip	660	228	435	2,397	4,454	5,281	8,112	7,134	11,481	10,991	12,066	17,075	14,583	10,638	10,405	14,192	9,933	8,171	9,737	6,190	5,675
Plate	n.a.	n.a.	n.a.	112	786	884	1,899	3,787	5,198	7,153	8,342	10,360	17,116	11,242	12,353	17,479	18,639	7,545	11,408	7,029	2,981
Hot Rolled Bars	n.a.	n.a.	n.a.	n.a.	1,112	1,659	2,943	4,391	5,843	6,507	7,283	6,786	10,151	8,873	12,521	12,435	11,115	8,703	7,978	7,129	8,132
Cold Finished Bars	n.a.	n.a.	n.a.	n.a.	1,375	2,463	2,903	5,405	4,640	6,121	7,913	9,427	8,354	11,264	15,358	16,740	12,031	16,508	19,292	21,725	28,692
Total	1,147	971	976	1,884	2,487	4,122	5,846	9,796	10,483	12,628	15,196	16,213	18,505	20,137	27,879	29,175	23,146	25,216	27,270	28,854	36,824
Tube-Seamless	2,201	2,178	2,414	2,406	2,105	3,590	4,132	7,266	6,691	7,929	6,361	7,459	8,147	5,270	8,436	10,839	10,589	13,276	18,130	14,898	14,956
Tube-Welded	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,827	7,393	6,660	8,759
Total	2,201	2,178	2,414	2,406	2,105	3,590	4,132	7,266	6,691	7,929	6,361	7,459	8,147	5,270	8,436	10,839	10,589	24,103	25,523	21,558	23,715
Wire	798	1,626	1,453	2,089	5,804	7,246	10,011	12,665	12,619	14,883	17,586	17,812	17,726	21,626	28,318	19,428	20,844	30,097	32,803	22,115	20,896
Wire Rod	739	2,345	3,607	5,475	8,076	9,073	12,688	13,227	15,925	14,864	13,885	13,550	13,002	16,761	22,076	16,841	20,087	16,801	17,715	18,414	21,637
Semi-Finished	6,582	3,528	6,436	17,595	28,993	44,110	44,091	41,658	39,602	49,044	27,015	15,402	12,194	8,528	12,158	7,429	2,608	2,974	3,444	2,422	3,424
TOTAL STAINLESS	14,081	12,577	27,102	55,589	79,352	112,868	135,327	149,321	171,871	182,224	177,209	186,624	146,334	128,263	176,107	167,154	174,712	178,076	199,737	169,102	152,674
TOOL	11,982	8,773	14,389	14,046	9,081	12,954	17,614	18,859	15,162	15,253	17,635	12,752	15,041	21,709	24,540	24,603	27,609	39,141	47,250	63,735	50,604
TOTAL SPECIALTY STEEL	26,063	21,350	41,491	69,635	88,433	125,822	152,941	168,180	187,033	197,477	194,844	199,376	161,375	149,972	200,647	191,757	202,321	217,217	246,987	232,837	203,278

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SPECIALTY STEEL IMPORTS - 1960 THRU 1980

Products Covered by Import Restraint Program Commencing June 14, 1976 - TSUS

	1960 (E)	1961 (E)	1962 (E)	1963 (E)	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
STAINLESS STEEL:																					
Hot Rolled Sheet	--	--	--	--	1,662	1,317	1,320	722	860	1,993	1,077	2,152	513	844	1,329	1,003	1,511	640	43	2,488	5,16
Cold Rolled Sheet	1,956	2,301	11,781	23,631	24,985	37,245	47,228	53,066	69,012	62,739	75,681	86,571	44,548	33,217	53,153	50,768	67,355	62,529	71,794	60,032	32,353
Hot & Cold Rolled Strip (Except Razor)	(	228	435	2,197	4,454	5,981	8,112	7,134	11,481	10,991	12,066	17,075	14,583	10,638	10,405	14,192	9,413	7,295	8,883	5,431	4,926
TOTAL SHEET & STRIP	2,61[illegible]	2,529	12,216	26,028	31,101	44,543	56,660	60,922	81,353	75,723	88,824	105,798	59,644	44,699	64,887	65,963	78,279	70,464	80,720	67,951	42,447
Plates	n.a.	n.a.	n.a.	112	706	884	1,899	3,787	5,198	7,153	8,342	10,360	17,116	11,242	12,353	17,479	18,[illegible]	7,545	11,408	7,029	2,981
Hot Rolled Bars	n.a.	n.a.	n.a.	n.a.	1,112	1,659	2,943	4,391	5,843	6,507	7,283	6,786	10,151	8,873	12,521	12,435	11,115	8,708	7,978	7,129	8,132
Cold Finished Bars	n.a.	n.a.	n.a.	n.a.	1,375	2,463	2,903	5,405	4,640	6,121	7,913	9,457	8,354	11,264	15,358	16,740	12,031	16,508	19,292	21,[illegible]	28,692
TOTAL BARS	1,14[illegible]	991	976	1,884	2,487	4,122	5,846	9,796	10,483	12,628	15,196	16,243	18,505	20,137	27,879	29,175	23,146	25,216	27,270	28,854	36,824
Wire Rods	73[illegible]	2,325	3,607	5,473	8,076	9,073	12,688	11,227	15,925	14,864	13,885	13,550	13,002	16,761	22,076	16,841	20,087	16,801	17,715	18,414	21,611
TOTAL STAINLESS	4,[illegible]	5,845	16,799	33,499	42,450	57,922	77,093	87,732	112,959	110,368	126,247	145,951	108,267	92,839	127,195	129,458	140,151	120,026	137,113	122,248	103,890
TOOL STEEL:	11,08[illegible]	8,773	14,389	14,046	8,293	12,628	17,235	16,969	12,345	14,703	17,346	12,582	14,696	21,309	23,952	24,236	27,082	21,325	23,353	26,196	27,624
TOTAL ITC IMPACTS	16,[illegible]	14,618	31,188	47,545	50,743	70,550	94,328	104,701	126,404	125,071	143,593	158,533	122,963	114,148	151,147	153,694	167,193	141,351	160,468	148,441	131,514

Products Not Covered by Restraint: TONS

STAINLESS STEEL:																					
Razor Blade Strip (Eff. 1-1-76)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	513	876	854	759	749
Semi-Finished	6,[illegible]	3,528	6,436	17,595	28,993	44,110	44,091	41,658	39,602	49,044	27,015	15,402	12,194	8,528	12,158	7,429	2,608	2,974	3,444	2,422	3,424
Tubes - Seamless	2,[illegible]	2,178	2,414	2,406	2,105	3,590	4,132	7,266	6,691	7,929	6,361	7,459	8,147	5,270	8,436	10,839	10,589	13,276	18,130	14,898	14,956
Tubes - Welded (Eff. 1-1-77)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	10,827	7,393	6,660	8,759
Wire - Round	75[illegible]	1,026	1,453	2,089	5,028	6,625	9,156	12,012	11,364	13,966	16,804	16,858	16,771	20,778	27,089	18,422	19,730	28,985	31,107	20,452	19,516
Wire - Flat	n.a.	n.a.	n.a.	n.a.	776	621	855	653	1,255	917	762	954	925	848	1,229	1,006	1,114	1,112	1,616	1,663	1,350
TOTAL WIRE	75[illegible]	1,026	1,453	2,089	5,804	7,246	10,011	12,665	12,619	14,883	17,566	17,812	17,726	21,626	28,318	19,428	20,844	30,097	32,803	22,115	20,866
TOTAL OTHER STAINLESS PRODUCTS	9,581	6,732	10,303	22,090	36,902	54,946	58,234	61,589	58,912	71,856	50,962	40,673	38,067	39,424	48,912	37,696	34,561	58,050	62,624	46,854	48,784
TOOL STEEL:																					
Bearing Steels	----INCLUDED IN ALLOY STEEL IMPORTS UNTIL 1977----																	16,309	19,184	29,927	20,713
Chipper Knife & Saw Blade	----NOT IDENTIFIED WITH SEPARATE TARIFF CATEGORIES UNTIL MAY OF 1978----																		1,907	4,701	1,860
High Speed Wire	n.a.	n.a.	n.a.	n.a.	788	326	379	1,890	1,717	550	289	170	345	400	588	367	567	1,507	2,804	2,911	407
TOTAL OTHER TOOL STEEL PRODUCTS	--	--	--	--	788	326	379	1,890	1,717	550	289	170	345	400	588	367	567	17,816	23,895	37,539	22,980
TOTAL OTHER (STN'S + TOOL STEEL)	9,581	6,732	10,303	22,090	37,690	55,272	58,613	63,479	60,629	72,406	51,251	40,843	38,412	39,824	49,500	38,063	35,128	75,866	86,519	84,393	71,764
GRAND TOTAL-SPECIALTY STEEL IMPORTS	26,[illegible]	21,350	41,491	69,635	88,433	125,822	152,941	168,180	187,033	197,477	194,844	199,376	161,375	149,972	200,647	191,757	202,321	217,217	246,987	232,837	203,278

n.a. - Not Available
(E) - Estimated

Source: U. S. Department of Commerce